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IN THE
UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT.

CASE No. 14626.

JESSE E. HALL *et al.*, Plaintiff and Plaintiff-
Interveners-Appellants,

vs.

KENNETH A. WRIGHT *et al.*,
Defendants-Appellees.

MAIN BRIEF OF PLAINTIFF AND
PLAINTIFFS-INTERVENERS-
APPELLANTS.

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MAIN BRIEF FOR APPELLANTS.

DESIGNATION OF PARTIES.

To simplify preparation and consideration of appellants' cause on appeal, plaintiff and plaintiff-interveners below will hereinafter be designated as "Plaintiffs", the plaintiff Jesse E. Hall as "Hall" and appellee's, defendants and counter-claimants below as "Defendants", the defendant Kenneth A. Wright as "Wright" and defendant corporation B & W, Inc., as "B & W".

STATEMENT ANENT JURISDICTION AND PLEADINGS.

The District Court had jurisdiction of this case under Title 28, U.S.C., Secs. 1332 and 1338 and under the Patent Statutes of the United States.

1. This action was commenced on a complaint filed December 10, 1947, which included causes for:—

(a) declaratory relief and reformation of a contract under Title 28, U.S.C., Secs. 2201, 2202 and 1332.

(b) violation of the Anti-trust Laws of the United States under Title 15, U.S.C., Secs. 1 and 2 and Clayton Act, 15 U.S.C., Sec. 26.

2. The answer to this complaint filed March 16, 1948, contained counter claims

(a) for cancellation of the contract

(b) for infringement of the Wright patents here in controversy under Title 28, U.S.C., Sec. 1332 and the Patent Laws of the United States under Title 35, U.S.C., Secs. 283, 284 and 285.

3. After several amendments and supplemental complaints, the cause came to judgment on the following pleadings:

(a) a second amended complaint filed January 2, 1953, containing causes for Reformation of Contract, Declaratory Relief, Breach of Contract, Anti-trust Violation, Unfair Competition and an Accounting for unjust enrichment of defendants under Title 28, U.S.C., Secs. 1332, 2201 and 2202, Title 15, U.S.C., Secs. 1-3 and Sec. 26.

(b) the answer of defendants Wright and B & W, Inc., filed March 20, 1953, containing counter-claims for Declaratory Relief and Judgment under

Title 28, U.S.C., Secs. 2201 and 2202 for infringement of the Wright patents here in controversy under Patent Laws of the United States and for violation of the Anti-trust statutes, Title 15, U.S.C., Secs. 1 to 3 and 15 and 16.

(c) By stipulation and partial judgment dated November 6, 1953:

(1) plaintiff and plaintiff-intervenors dismissed all causes in their Second Amended Complaint with prejudice except the causes for Unfair Competition and an Accounting.

(2) Defendants dismissed with prejudice their counterclaims for Declaratory Relief, Violation of the Anti-trust Laws, leaving only their counterclaims for Unfair Competition and for Patent Infringement.

(d) Amendment to the Second Amended Complaint and Supplemental Complaint filed March 18, 1954, *nunc pro tunc* as of March 17, 1954, added a cause of action for Infringement of the Hall patent No. 2,671,515 (R. 3640).

(e) Defendants' Supplemental Answer and Counterclaim filed March 17, 1954, was by order of Court deemed to be an Answer to the amendment to the Second Amended Complaint and Supplemental Complaint. The Counterclaims were for Declaratory Judgment that defendants did not infringe the Hall patent No. 2,671,515 and that the Hall patent was invalid.

(f) Reply thereto by plaintiff and plaintiff-intervenors was on March 18, 1954.

STATEMENT OF THE CASE.

This appeal is from a judgment of the District Court dismissing a complaint of plaintiff and plaintiff-intervenors charging defendants with unfair competition and infringement of the Hall patent No. 2,671,515. The basis of

the judgment of the Court was that plaintiff and plaintiff-intervenors were guilty of such self help as to amount to unclean hands and for that reason all relief against defendants unfair competition was denied to them. The judgment also struck down the Hall patent No. 2,671,515 on the ground that it lacked invention over the very prior art which the Patent Office had considered during thirteen years of prosecution involving a variety of *exparte* and *interparte* Patent Office proceedings principally provoked by defendants and in which defendants were parties opposing the issuance of the Hall patent.

Plaintiff Hall and plaintiff-intervenors who are his licensees (Exhibits 153 A through 170, Finding III) charged defendants with unfair competition because of their activities in appropriating and monopolizing the business of manufacturing and selling oil tools known as "scratchers" and in this connection accusing plaintiff, plaintiff-intervenors and their customers with infringement of the Wright patents. Defendants did this well knowing their patents did not cover the accused devices nor the methods with which the devices were employed. These accusations were made not as a preliminary to bringing suit but as a coercive device to intimidate customers and to induce them to purchase scratchers from defendants rather than from plaintiff first and later from plaintiff-intervenors. Defendants' activities constituted a persistent and inequitable effort to appropriate and monopolize under the guise of a patent monopoly a business that the patents did not embrace (Findings XIV, XV, XVa, XVb, XVc and XXIV).

As part of their campaign of unfair competition, they interfered with the legal rights of plaintiff Hall by injecting themselves into the prosecution of his applications for patent in an effort to delay and hopefully to prevent the grant of such patents knowing full well that the basis for such

activities were ill founded (Finding Xa). Besides, they went elsewhere and purchased the Black and Stroebel patent, not one here in controversy, surreptitiously organized a corporation solely for the purpose of holding the patent and bringing harassing lawsuits against plaintiff-interveners and their distributors. These suits were brought for the purpose of intimidation, harassment and coercion as a competitive device to unfairly appropriate the business of plaintiff and plaintiff-interveners (Findings XVI, XVII).

Chronology of Facts.

The facts in so far as they are pertinent to the issues are as follows: Oil wells are drilled with a string of pipe carrying at the lower end a drill bit which is rotated with the pipe from a power source located at the surface level. Mud is forced into the drill pipe at the surface and is passed downwardly through the drill pipe, out through the openings of the drill bit and back upwardly to the surface in the annulus between the pipe and the well bore. The circulating mud flushes the drill cuttings out of the well and during this circulation the wall of the well becomes coated with a mud cake.

It is common practice to insert pipe or casing to line the well bore and to place cement between the casing and the well wall at selected locations to seal the formations to the casing and prevent migration of fluids along the casing. To improve the bond between the casing and well bore and form a fluid tight seal, it is desirable to remove this mud or filter cake prior to introducing the cement between the casing and well wall. Plaintiff Hall devised a tool for accomplishing this function, it is now known in the trade as a "scratcher", an example is in evidence as Exh. 40 and the structure is shown and described in the Hall patent No. 2,671,515 (Exh. 286). This tool which is widely employed in

the oil fields is composed of a circular metallic collar extending from the periphery of which and angularly disposed with respect to the collar are wire bristles. The bristles are joined to the collar by means of spring mountings. A number of such scratchers are placed upon the casing throughout the zone to be cemented so they are free to rotate but have limited longitudinal movement along the casing between stops secured to the outer surface of the casing.

When the casing is reciprocated the scratchers move with the casing between the stops, and because of the flexible spring attachment and angular disposition of the wire bristles they reverse easily at the top and bottom of each stroke, giving the scratchers an intermittent rotative movement upon the casing so the wires are moved to new positions at each reciprocation covering the entire well bore with an abrading action to remove the mud cake therefrom (See Hall patent 2,671,515, Exh. 286).

Hall first filed an application for this tool on April 16, 1941, as Serial No. 388,891 (Exh. 1, R. 385), and an application for a method in which this tool was employed on March 27, 1944, as Serial No. 528,183 (Exh. 2).

Hall's patent applications (Exhs. 1 and 2) were placed in interference with an application filed by defendant Wright Serial No. 369,389 (Exh. 8) and Wright patent No. 2,338,372 (Exh. 37, R. 3483). Wright application Serial No. 369,389 later matured as patent No. 2,374,317 (Exh. 38). The Wright method patent No. 2,338,372 discloses a brush-like structure as a wall cleaning device. The device of the Wright apparatus patent No. 2,374,317 which was what was designated by defendants as a "wall cleaning guide" differs from the Hall scratcher in that the abrading wires in Wright's tool extend radially from the collar support and were not spring mounted as were the Hall wires. This

form of wall cleaning guide was manufactured by defendant B & W, Inc., and was sold as early as 1940.

Plaintiff Hall and defendant Wright with B & W, as assignee of Wright consenting, settled the Patent Office interferences instituted between Hall and Wright by means of an agreement dated September 15, 1944 (Exh. 34, R. 3474), whereby Hall agreed to assign his applications in the interferences to Wright subject to an exclusive license back to Hall in Hall's inventions covered by claims that "may issue" in his then pending patent applications. Hall was given the privilege of prosecuting his applications by an attorney of his own choice although title to the cases had been transferred by the agreement to the defendant Wright. The parties worked amicably under this 1944 Hall-Wright agreement for a year or more.

In 1946 Hall d/b/a Weatherford Spring Company achieved considerable success with the Gulf Oil Company in cementing some of its wells with which they were having considerable difficulty in the Gulf coastal region (R. 636-7). As a result of this work, two engineers, Teplitz and Hassebroek, the former an employee of the Gulf Oil Company, gave a technical paper explaining the work at the American Petroleum Institute meeting in Shreveport, Louisiana, in May of 1946 (Exh. 66, R. 637).

In July, 1946, Barkis of B & W, Inc., informed Shell Oil Co. and Standard Oil Co. of California that the use of Hall scratchers was an infringement of Wright's patents which prompted Shell's letter of August 13, 1946, to plaintiff's counsel and the letters sent Standard Oil Company of California soon thereafter (See Exhibits 16, 17, 21, 44, 55 and 56). Immediately there arose in the minds of these companies the fear of patent litigation should they continue to purchase and use the Hall equipment then being sold by Hall's company the Weatherford Spring Company. This

apprehension is borne out by the correspondence which passed between plaintiff's counsel and the patent counsel of the respective companies (Exhs. 16, 17, BR and BS) with respect to Shell Oil Company and (Exhs. 21, 44, 55, 56, 107, 108 and 109) concerning the Standard Oil of California. The situation became so acute in August of 1946 that Hall was obliged to send his attorney to California to meet with Wright and Barkis in an attempt to adjust their differences and prevent further harassment of plaintiff's customers by defendants. The substance of the California meeting and the argument is to be found in a contemporary memorandum prepared by plaintiff's counsel in evidence as Exh. 171 (R. 3536).

In the early part of 1947 Gulf Oil Company sent plaintiff Hall and its engineer Teplitz to Venezuela to instruct the production personnel of Mene Grande Oil Company, a Gulf subsidiary, in the use of the Hall cementing method and Weatherford equipment (R. 640, 657). This trip resulted in a large order being placed by Gulf Oil Company for Weatherford products and incited defendants to renew their unfair tactics and on this occasion concentrating their threats against the Gulf Oil Co. The initial notice to Gulf Oil was sent by wire (Exh. 19) in which Gulf Oil was directly charged with infringement of the Wright method patent. The language of the wire reads in part: "The so-called Weatherford formula is an infringement of the B & W method." This infringement notice was immediately relayed to plaintiff's counsel and there ensued assurances to Gulf Oil that Hall would defend against any patent litigation. Indemnity letters confirming this are in evidence as Exhs. 20 and 147. Defendants followed these notices by personal interviews arranged immediately thereafter with personnel of the Gulf Research and Development Company, at which time they reiterated their charges of infringement (See Vollmer's memorandum of the meeting

of September 8 and 9, 1947, R. 592). The charges against Gulf Oil, Shell Oil and Standard of California were not isolated instances of defendant's use of their method patent as a coercive argument in an attempt to destroy business of plaintiff interveners, but it was a common occurrence arising in the case of many other customers with whom plaintiff was doing business. A flagrant example of this misuse was proved in the testimony of Goerner of the California Company of New Orleans where the witness reported that Barkis threw down the B & W patents on Goerner's desk and advised that the company discontinue the use of Weatherford equipment (R. 720-721). As a result of this threat, a stop order was issued to the California Company field superintendents (Exh. 101) and although this was subsequently rescinded, the damage had been done (R. 723-725). Plaintiff was put to the expense of satisfying the California company and explaining the circumstances to its Legal Department, to say nothing of the loss of business and good will which in this instance were never retrieved.

The Union Producing Company of Shreveport, Louisiana, was another victim of defendants' misuse of its patents. After hearing Teplitz give his paper on the Hall method of well conditioning, Mr. Quiggles, general manager of Union Producing, became interested and requested John Hall to ask his father to stop by and explain the features and advantages of the method. From this grew an association which culminated in the adoption by Union Producing of the Hall method and Weatherford equipment exclusively in the conditioning of oil and gas wells (Exh. 85, R. 701). The business of Union Producing Company had been obtained by an expensive procedure, including a course of instruction to the field superintendents and selected members of the drilling crews who were lectured and given practical lessons in the use of Weatherford equipment. Men skilled in the use of the tools were sent

by plaintiff on particular jobs, when the equipment was delivered to see that it was installed and serviced until such time as the drilling crews had familiarized themselves with the technique in order to avoid the possibility of trouble in the cementing of their wells (R. 700-701). This program was set up when Union Producing adopted the use of Weatherford equipment and represented a substantial investment by plaintiff Hall in the form of selling expense (R. 733-734). While this arrangement between Union Producing and plaintiff existed, defendant B & W had use for an associate counsel to represent it in the prosecution of a case pending in the Houston District of Texas and they engaged the firm of Vinson, Elkins, Weems & Francis who were likewise counsel in certain matters for Union Producing (R. 735-743, 674-677). In the course of events and prompted primarily by patent litigation, plaintiff Hall and defendant B & W had in Louisiana, over B & W's illegal use of Hall's spiral centralizers, Joseph Edwards, a patent lawyer in the Houston firm, rendered Union Producing an opinion dated December 11, 1948 (Exh. 103), that use of the Weatherford scratchers was an infringement of the B & W patents. The effect of the letter was catastrophic as far as plaintiff was concerned because business in Weatherford equipment was immediately discontinued and has never been recovered.

As a result of the earlier notices to Gulf Oil, Shell Oil and Standard Oil Company of California, a dispute arose between the parties as to the scope of the exclusive license granted to Hall under the 1944 settlement agreement (Exh. 34). Defendants denied that Hall had any right under this license to manufacture and sell the form of scratcher shown in Exh. 40 which Hall had been selling for some time prior to September 15, 1944, and which was shown in principle in the Hall application for Letters Patent 388,891 (Exh. 1) filed in the Patent Office in April, 1941. These infringe-

ment notices to both Hall and his customers are commented upon by the lower court (see Findings of Fact XIV, XV, XVa, XVb, XVc; See also stipulated Facts, Paragraphs 2, 3 and 4, R. 58-59).

These threats made by defendants, the District Court has found were made unfairly and without cause and without intent that they serve as preliminary to suit and were not given in good faith but were given in order to establish a limited monopoly in the manufacture and sale of scratchers not covered by defendants' patents (findings of fact XIV, XV, XVa, XVb, XVc).

Supplementing this propaganda and in an attempt to obtain a portion of plaintiff and plaintiff-intervener's business, defendants devised and offered the trade in the latter part of 1947 a scratcher with angularly disposed or sidewise bristles sold under the brand name "Multiflex." Since defendants' threats and protests made Hall's customers apprehensive as to his rights under the Hall-Wright settlement agreement (Exh. 34) and recognizing the agreement was vague and ambiguous with respect to a cross license under defendants' patents, probably because Hall was not represented by counsel when the agreement was made, Hall authorized his attorney in August, 1946, to negotiate a supplemental agreement (Exh. 35, R. 3480) to correct the ambiguities of the original writing. When all attempts to adjust the differences over the provisions of the agreement failed and defendants persisted in their notices and protests, suit was brought in Los Angeles on December 11, 1947, under the Declaratory Judgment Statute seeking an interpretation of certain provisions of the agreement, reformation to conform with the intent of the parties, and an injunction against further unfair tactics and misuse of the Wright patents (R. 3-18): Simultaneously with the filing of the

suit on December 11, 1947, there was obtained an order to show cause why a preliminary injunction should not issue to enjoin defendants from noticing customers on their method patent and using the settlement agreement to unfairly compete in the sale of their equipment (R. 19-20). This motion was denied on January 19, 1948 (R. 24).

Taking advantage of this refusal of the court to give plaintiff relief by preliminary injunction from tactics which the Court later agreed constituted unfair competition, the defendants persisted in their unfair tactics over a prolonged period since the filing of the original action on December 11, 1947, by not only making threats and misrepresentations to customers of plaintiff, but later against those of plaintiff-interveners. Thus, defendants both before and during the pendency of this litigation and up until the issuance of the injunction of January 26, 1952, have unfairly and without cause notified customers of plaintiff and plaintiff-interveners that they infringe the Wright method and apparatus patents Nos. 2,338,372 and 2,374,317.

In answer to the original complaint defendants counterclaimed for infringement of the Wright patents and cancellation of the Hall-Wright agreement (R. 25-53). At the beginning of the trial in May, 1949, plaintiff Hall notified the court that he was willing to acquiesce in defendants' counterclaim for cancellation of the agreement (Exh. 34) and the court indicated its willingness to cancel the contract since it would simplify the issues in the case. Upon consideration overnight however defendants withdrew their counterclaims for cancellation and the Court dismissed it and the trial proceeded on the declaratory judgment and reformation issues pertaining to the contract provisions (R. 56). The trial was adjourned before completion to redraft pleadings, to include issues provoked by the sale

by defendants of the Multiflex scratcher, to take depositions and because of the court's prior docket commitments (R. 481-482). In its First Amended Complaint filed June 7, 1949, plaintiff Hall again sought declaratory relief as to the Hall-Wright contract (Exh. 34), pleaded a cause of action for breach of contract because of the manufacture and sale by defendants of the Multiflex scratcher (Exh. 57) and for unfair competition and prayed an injunction issue against defendants from bringing suits and noticing Plaintiff's customers of patent infringement. In the latter part of 1949 defendants abandoned all reservations had theretofore and began manufacturing and selling a second sidewise bristle scratcher, appropriating the novel structure of the Hall device under the trade name "Nu-Coil" (Exh. 72) which was substantially a replica of Hall's design. Defendants brazenly solicited the trade evidently convinced by this time that Hall's patent would never issue (R. 662-666).

DEFENDANTS ARE GUILTY OF UNFAIR COMPETITION AND UNCLEAN HANDS.

The findings and conclusions of the trial court that the defendants were guilty of unfair competition and unclean hands is fully sustained and established by the law and evidence.

The trial court said in its memorandum of decision (page 5) with respect to the notices which have been sent out by the defendants:

"Among the acts of unfair competition claimed by plaintiff and plaintiff-interveners is the allegation that defendants Wright and B & W, Inc., both before and during the pendency of this litigation have unfairly and without cause notified customers of plaintiff and plaintiff-interveners that the customers infringed the monopoly of the Wright method patent No. 2,338,372 by the use of scratchers in the cementing operations incident to completion of oil wells.

“The evidence sustains the charge since it is clear that the notices were given directly and indirectly without intent that the notices serve as preliminary to suit. Moreover, the notices were not given in good faith since patent No. 2,338,372 does not teach or claim or even mention any method of carrying on the cementing operations incident to the completion of an oil well.”

Findings XIV, XV, XVa, XVb and XVc are based upon this portion of the decision. These findings are fully supported by the evidence and defendants' acts constitute unfair competition and amount to unclean hands.

The assertion by defendants of threats and notices based upon their patents Nos. 2,338,372 and 2,374,317 of a limited monopoly in matters not covered by these patents constitutes such unclean hands as to justify denying all relief to defendants under their counterclaims. The method patent No. 2,338,372 did not disclose and cover any method which defendants claimed in their notices constituted infringement and for which they demanded a 60¢ royalty. The findings XIV, XV, XVa, XVb and XVc are fully supported by the evidence. It is not necessary to show an intent to monopolize, since the intent is implied from the actions themselves. However, in this case the evidence shows that the defendants knew that their patents did not cover the manufacture, use or sale of the Hall type scratcher and their charges of infringement and litigation to enjoin plaintiff and plaintiff-interveners in the manufacture and sale of these scratchers and their use by their customers was an effort to exercise a monopoly not given them by the patents.

Metro-Goldwyn Mayer Corp. v. Fear, 104 F. 2d 892 (quoted in Appendix).

Celite Corp. v. Dicalite, 96 F. 2d 242, at 250-1.

Circle S. Products Co. v. Powell Products, Inc., et al., 174 F. 2d 562, at 565.

Magnetic Eng. Mfg. Co. v. Dings Mfg. Co., 178 F. 2d 866, at 868.

Their efforts are therefore such as to warrant review by a court to exercise its equitable jurisdiction in aid of such an illegal monopoly.

Ethyl Gasoline Corp. v. U. S., 309 U.S. 436, 459.

Leitsch v. Barber Co., 302 U.S. 159.

Morton Salt Co. v. Suppinger, 314 U.S. 488.

B. B. Chemical Co. v. Ellis, 314 U.S. 495.

Mercoird Corp. v. Mid-Continent Inv. Co., 320 U.S. 661.

Dehydrators, Ltd., v. Petrolite Co., 117 F. 2d 183, 187 (C.C.A. 9th).

J. C. Ferguson Mfg. Wks. v. American Lecithin Co., 94 F. 2d 729 (C.C.A. 5).

DAMAGES RESULTING FROM DEFENDANTS' UNFAIR COMPETITION.

The Trial Court observed during the trial of this case that it was unnecessary in plaintiff's *prima facie* case to prove all the damage that had been done but only that there was damage and that there was damage of some consequence. When plaintiff and plaintiff-intervenors, finally obtained access to defendants' sales records, schedules and charts were prepared comparing the sales of defendants with those of plaintiff and plaintiff-intervenors over the critical periods when unfair competition was charged (R. 1619-1636).

Gulf Oil of Canada.

Schedules and charts of the sales of Weatherford Limited and Import Tool Co., B & W's distributor, to Gulf Oil Company of Canada are in evidence as Exhibits 175A, 175B, 175F, 175G, and 175I and were explained by the witness Bowersock (R. 1622-1636, 2633-2646). The scratcher

sales of Weatherford Limited from June, 1950, through October, 1953, were taken from schedule Exhibit 175 and graphically shown on chart Exhibit 175A. The centralizer sales of Weatherford Limited to the same company for the same period are shown on the chart Exhibit 175B. In a like fashion B & W sales in scratchers and centralizer sales to Import Tool Co. have been charted (R. 2633-2644).

It will be noted that Weatherford Limited scratcher sales to Gulf of Canada were interrupted from September, 1951, to June, 1953, the former date corresponding to the time when the stop order was issued by Dr. Foote of Gulf Oil Company against the purchase of Weatherford equipment dated July 23, 1951 (Exh. 81). The influence of the stop order on Weatherford Limited scratcher sales is reflected to a slightly lesser extent on the sale of centralizers to the Gulf Oil of Canada as shown in chart Exhibit 175B.

To show the loss in Weatherford Limited scratcher sales and corresponding increase in B & W sales to this company, the scratcher charts have been superposed in a combined chart, Exhibit 175F. The same procedure has been adopted to show how centralizer sales shifted from Weatherford Limited to B & W, Inc., by the chart, Exhibit 175G (R. 2633-2644).

To refute the propaganda and assertions by defendants that their wall cleaning guides provided a substantial part of B & W scratcher business in Canada, and that appropriation of Hall's non-radial bristle type scratchers in the form of Multiflex and Nu-Coil played but a small part in the volume increase of sales of B & W, a chart, Exhibit 175I, was made and cross-hatched to show the percentage of the different types of B & W scratchers sold to Gulf Oil of Canada.

Union Producing Co.

The Weatherford and B & W sales of scratchers and centralizers to Union Producing Company over corresponding periods between June, 1946, through October, 1953, are shown in Exhibits 176H, 176I and 176K. The Weatherford scratcher sales and B & W scratcher sales are superimposed on a chart Exhibit 176H and the Weatherford centralizer sales superimposed upon the B & W centralizer sales to Union Producing on chart Exhibit 171 (R. 1625-1632, 2645-2646).

Weatherford scratcher sales to Union Producing Co. ceased in February of 1949 except for small isolated sales in December, 1949, and January, 1950. Weatherford centralizer sales to Union Producing terminated in January, 1949, this business being lost as a result of the Joe Edwards letter (Exh. 103) dated December 11, 1948. The charts also show when Weatherford scratcher sales to Union Producing terminated and B & W scratcher sales began. Likewise, it will be noted that B & W centralizer sales were obtained principally after plaintiff-intervener Weatherford Oil Tool Company had been cut off from the sale of scratchers by the Edwards letter. The chart, Exhibit 176H, graphically reveals how the scratcher business was appropriated by defendant B & W, Inc., while Exhibit 176I shows the course of the centralizer business to this customer.

Gulf Oil Purchases in the U. S.

Charts 177a and 177d show the purchases of scratchers by Gulf Oil Company from plaintiff Hall and Weatherford Oil Tool and B & W, Inc., respectively. A comparison of these charts shows Gulf Oil Company sought to appease B & W, Inc., by purchases of their scratchers after defendants' charges of infringement were made in 1947.

From the beginning of 1950 to date, the decrease in scratcher sales suffered but Weatherford is reflected as an increase of purchases of scratchers and centralizers by Gulf Oil from defendant B & W, Inc.

The predominance of sales to Gulf Oil Company of B & W non-radial Hall type scratchers (Multiflex and Nu-Coil) over the radial bristle wall cleaning guide to Gulf Oil is shown by Chart, Exhibit 177G (R. 1633-1634, 2650-2652).

Miscellaneous Companies.

Other charts are in evidence showing the damage suffered by plaintiff and plaintiff-intervenors, including sales to The California company, The Texas company, The Standard Oil Company of California and Amerada Petroleum Company (R. 1634-1636, 2654-2655).

From the above proofs it is submitted that plaintiff and plaintiff-intervenors have shown irreparable injury from loss of sales due to the defendants' acts of unfair competition. These charts show damage of consequence which justifies an order for an accounting to complete their proofs of damage.

THE JUDGMENT OF THE TRIAL COURT ON THE WRIGHT PATENTS SHOULD BE AFFIRMED.

The judgment of the Trial Court dismissing defendants' counterclaim for infringement insofar as it relates to the Wright patents should be sustained irrespective of whether the Court's finding of invalidity of the above patents because of lack of invention is affirmed. The Court found that the scratchers manufactured and sold by plaintiff and plaintiff-intervenors were not covered by Wright's patent No. 2,338,372 or No. 2,374,317. It found that the customers of scratchers did not employ the scratchers in methods cov-

ered by patent No. 2,337,372. The pertinent findings are XIV, XV, XVa, XVb and XVc. While the court did not make conclusions of law on this point, item 6 of the judgment dismissing the counterclaim of defendant at least insofar as these patents are concerned is supported by these findings. Findings of non-infringement are findings of fact. *U. S. v. Esnault-peterie*, 299 U.S. 198, 201, 81 L. Ed. 123 and cases cited therein. *McPoskey v. Braun Mattress Co.*, 107 F. 143, 147 (C.C.A. 9); *Chicago Pneumatic Tool Co. v. Hughes Tool Co.*, 192 F. 620, 630 (C.C.A. 10).

The Court found that defendants had asserted the patents in order to establish a limited monopoly in the manufacture and sale of scratchers not covered by these patents (see Findings XVa and XVc). These are findings on which it is proper to conclude the defendants have misused their patents in an effort to illegally restrain competition, and the court's dismissal of the counterclaim should therefore be affirmed.

PATENT OFFICE PROCEEDINGS.

Beginning as early as February of 1949, defendants had been persistent in attempting to delay and prevent the issuance of a patent to Hall although they asserted ownership in his applications by reason of the agreement (Exh. 34, see Agreed Statement of Facts Exhibit FZ, paragraphs 10 and 11, R. 2940-2941) and although the applications were being prosecuted by Hall's attorney under the provisions of the same agreement. It was to their advantage to prevent granting of the patent because it would not only define Hall's rights under his exclusive license but the patent also posed a potential threat to defendant's activities and termination of the pirating of Hall's design.

The first obstructive measures used by defendants were the filing of protests under Patent Office rules 11

and 291 in February and July of 1949 (Exh. 131). These protests resulted in a final rejection by the Patent Office Examiner of Hall's application Serial 55,619 (Exh. 69) requiring an appeal to the Board of Appeals which delayed the prosecution to January of 1950. No sooner had the Board of Appeals awarded Hall's claims in his application on his scratcher construction than defendants provoked an interference No. 84,411 (Exhs. 71a, 71b) involving the allowed claims and contesting Hall's right to the claims in a Wright application Serial No. 777,640 (Exh. 70). With the delays normal to the prosecution of an interference, the year of 1950 had passed before the interference was dissolved by a Patent Office decision dated December 15, 1950 (Exh. 71b). By this decision it was held Wright had no standing in the interference and that he was barred by plaintiff's advertising which appeared in the Oil Weekly July 7, 1941 (Exhibit A, R. 3646 and 85-95).

After being unsuccessful in their attempts in the interference, defendants then petitioned the Commissioner of Patents to strike the Hall applications, charging Hall with fraud in filing them and in their prosecution (Exh. 133). These proceedings in the Patent Office covered the year 1951 and an idea of their ramifications may be obtained from an examination of the schedule which forms a part of Exh. 285 (R. 3634 through 3639 inclusive). Finally, Hall's application Serial 55,619, Exh. 69, was cleared in a decision dated December 12, 1951 (Exh. 71d). By this time both the Multiflex and Nu-Coil type scratchers of defendant B & W were being sold in considerable volume. The trade was being kept advised of the significance of the Wright method patent by advertising (Exhibits 128, 129, 209 and 210) and other types of selling propaganda, so some new scheme or plan had to be contrived to delay the issuance of a patent to Hall.

As an indication of the energy and diligence with which this program of obstruction was being conducted, no sooner had the decision of December 12, 1951, been rendered than defendants were back in the Patent Office with new proceedings. On December 14, 1951, defendants filed a Petition to Institute Public Use Proceedings (Exhs. 135 and BO). On January 17, 1952, defendant Wright filed a Petition to the Commissioner of Patents to Direct Rejection of the interference counts (Exh. 132) and on January 22, 1952, he renewed his Petition to Strike the Hall applications (Exh. 134). The propriety of instituting Public Use Proceedings and Wright's Petition to Strike were heard in April, 1952, and by a decision dated September 9, 1952, Hall was put under order to show cause why his application Serial No. 627,013 (Exh. K) should not be stricken (Exhs. BO and TT). On November 4, 1952, by Exh. DDD defendants renewed their Petition to Strike Hall application Ser. No. 55,619 and by a decision dated December 9, 1952 (Exhibits UU and BP), the Public Use Proceeding was instituted and the Patent Office ordered proofs on the question of fraud to be adduced simultaneously.

The taking of this evidence in the public use proceeding embraced the first half of 1953; the matter was heard in August and a decision was rendered December 2, 1953 (Exh. 216). Hall was absolved from the fraud charge and no instance of "public use" was proved against his invention, but defendants had again gained time to pursue their vicious program of unfair competition. Undaunted, however, they were back in the Patent Office with petitions and requests for reconsideration. In Decisions dated December 24, 1953, and December 29, 1953 (Exh. 216, R. 3544-3584), and January 13, 1954 (Exh. 216A, R. 3585), efforts to prevent issuance of the Hall patent were finally defeated.

In view of the above which is but a short resumé of the endless proceedings there can be no legitimate contention that any of the proceedings were well founded and defendants' own conduct and actions constitute the best evidence in this regard. In so far as the interference contest over Hall's claims is concerned, there was no excuse for that proceeding. Wright had taken title to the Hall application Serial No. 388,891 (Exh. 1) under the 1944 agreement (Exh. 34) and had granted an exclusive license to Hall under these patent applications without questioning Hall's right to the invention contained therein. Throughout the years until April, 1950, when Wright made the Hall claims in his application Serial No. 777,640 (Exh. 70) and entered the interference contest, Hall's right to the invention of a non-radial or sidewise bristle scratcher had never been questioned. In fact both Wright and his attorneys representing him here affirmed Hall's claims to this improvement as late as January 27, 1950, just before they learned of the Board of Appeals decision awarding Hall the claims. Counsel's letter addressed to Hall's attorney reads in part as follows:

"It would appear to me that the generic claim which was allowed in 627,013 should not be limited in the latter part to wire whiskers which project from the collar in a manner resembling that which a rapidly moving object would depart therefrom. As you probably appreciate, that language is somewhat looser than if the word 'tangential' had been used.

"In the first place I doubt whether the abandoned application would support such a generic claim inasmuch as the whiskers are not projecting from the collar at an angle which would appear to be more than 45° from the radial. The abandoned application and application 627,013 would appear to support a claim wherein all of the elements of the generic claim of 627,013 were recited with the exception of

the above quoted language and if language were submitted which would recite that the wires projected from the collar at an angle from the radial. Such a claim would be truly generic and upon the record it would appear that Hall would be entitled to the same. As a matter of fact the generic claim as first written was substantially such a claim and it was only after it had been changed that the question as to whether the generic claim was supported by the abandoned application came into question.

"Therefore, regardless of the dispute between the parties, it would appear to me in order to protect the invention which was disclosed in the abandoned application that Hall should endeavor to secure such a claim. Furthermore, such a claim would be useful in protection against others and in this connection I have information that a scratcher will shortly be on the market which would be covered by such a claim and which would not be covered by the generic claim as it is now written and which, furthermore, would not be covered by any of the other claims which were handed to me in Pittsburgh.

"It is, therefore, my request as attorney for B & W, Inc., and writing at their request, that as attorney prosecuting said Hall application 627,013, which includes the disclosure of 388,891, that you endeavor to secure claims which would properly cover the disclosure in 388,891 and which would be as broad as could be obtained. It is our feeling that the claims which you apparently are endeavoring to secure and which bear upon 388,891 are not as broad as could be secured. It may well be that other claims have been allowed which would meet this situation. If so, I would be very pleased to receive information as to the same" (Exh. 119, R. 3523-3525).

Furthermore, Wright knew of the *Oil Weekly* advertisement that barred him from obtaining a valid patent had he prevailed in the interference because he had sug-

gested the publication in the Patent Office as a reference against Hall in his protests (Exh. 131) in February and July of 1949.

Finally, Wright perpetrated fraud on the Patent Office by involving his application Serial No. 777,640 (Exh. 70) in Interference No. 84411 (Exhibits 71 A, 71 B, 71 C and 71 D) because he falsely made oath in that application that he was the inventor and knew of no outstanding public use as well as filing a sworn statement in the interference to that effect. In petitioning the Patent Office to Institute Public Use Proceedings (Exhs. 135 and BO), he filed an affidavit irreconcilable with the preliminary statement (Exh. 182) filed in the interference and the oath filed in his application (Exh. 70) that sidewise bristle scratchers exemplified by Exh. FFFF were in commercial use in January of 1940 more than six years before the filing of application (Exh. 70) on October 3, 1947.

The charges of fraud against Hall and the public uses alleged against his invention are in the same category as the tactics used in Interference No. 84,411 for Wright knew of these alleged matters before he took assignment of the Hall applications under their agreement in 1944 in which he granted back to Hall an exclusive license. No mention was made by him of any fraud nor of the Kelly or Jones and Berdine uses later set up in the public use proceedings until such time as they served his purpose and that of defendant B & W, Inc., to delay issuance of the Hall patent. A more flagrant and pernicious example of bad faith and unfair dealing is difficult to conceive, to say nothing of the expense to which Hall was put over a period of five years in establishing his rights in the invention.

To comment upon the merit of defendants' charges and the justification Hall's Patent Office prosecution

gave them for their activities hereinbefore briefly outlined, it is sufficient to direct this Court's attention to the defendant's conduct up to the beginning of the year 1950 and what transpired thereafter.

As noted hereinbefore, it was on January 27, 1950, that Lyon & Lyon wrote Hall's counsel the epochal letter which establishes what their true viewpoints and sentiments were before the advent of Nu-Coil and before they had knowledge that Hall had been awarded claims by the Patent Office and before the feeling between the parties had completely disintegrated as developed later.

To schedule some of the inconsistencies developed between the subsequent evidence and the letter of January 27, 1950 (Exhibit 119, R. 3523-3525), may simplify their consideration and show the length to which Defendants went to delay issuance of the Hall patent in order that they could pirate his inventions.

(A) The failure of Jones and Berdine to disclose the merits of sidewise bristles and the rotatable mounting of the scratcher when making their report on tests of B & W wall cleaning guides is of significance and cannot be ignored (Exhibits 174 and X).

(B) The failure of the defendant Wright to disclose in a patent application and the failure of defendant B & W, Inc., to disclose in its literature and advertising the advantages of sidewise bristles with a rotatably mounted collar are omissions which speak with far greater credibility than the endless oral contentions which have been urged since the advent of the Nu-Coil scratcher and since the parties have been involved in litigation in the Patent Office and in the Courts (Exhs. 37, 38, 39, BB, CR).

(C) The failure of Wright to lay claim to the concept of using sidewise bristles on a rotatably mounted

scratcher until Hall was allowed claims thereon is revealing as to his right in the invention (Exhs. 70, 71 A-71 D).

(D) Wright's failure to inform and advise Hall sometime between September 15, 1944, when the agreement (Exh. 34) was signed and April, 1950, when Interference No. 84,411 (Exh. 71 A) was declared that the idea of rotatably mounting a scratcher having sidewise bristles was his invention and not Hall's is significant in establishing inventorship.

(E) Defendants' admission in the letter of January 27, 1950 (Exh. 119, R. 3523-3525), that the sidewise bristle concept was meritorious and belonged to Hall and that Hall was entitled to generic patent claims thereon refutes all subsequent claims by defendant that the invention originated with Wright (Exhs. 70, 71 A-71 D).

(F) Defendants' admission by the January 27, 1950, letter that the sidewise bristle concept was meritorious and belonged to Hall and that claims to an invention of a generic scope should be obtained by Hall contradicts all accusations of fraud made against Hall subsequent thereto. (Exhs. 132, 133, 134 and 135) R. 832-833.

(G) Defendants' admission in the January 27, 1950, letter that Hall's application Serial 388,891 (Exh. 1, R. 3385-3460) and Serial No. 627,013 (Exh. K) would appear to support generic claims reciting that the wires project from the collar at an angle from the radial refutes any contention now made that Serial No. 627,013 is not a continuation-in-part of Serial No. 388,891 (Exhs. 133, 134).

(H) Defendants' admission by letter of January 27, 1950, that Serial No. 388,891 and Serial No. 627,013 would appear to support generic claims that recite that wires project from the collar at an angle from the radial refutes

any contention now to the effect that Serial 627,013 was for a different invention (Exhs. 133 and 134).

(I) Defendants' admission in the letter of January 27, 1950, that Serial No. 388,891 and Serial No. 627,013 would appear to support generic claims that recite that the wires project from the collar at an angle from the radial refutes any contention later made that Serial 627,013 or Serial 55,619 were fraudulently filed (Exhs. 133 and 134).

(J) Defendants' admission by the letter of January 27, 1950, that Serial 388,891 and Serial No. 627,013 would appear to support generic claims that recite that the wires project from the collar at an angle from the radial supports plaintiff's contention that defendant B & W, Inc., pirated Hall's scratcher design by the manufacture and sale of Multiflex and Nu-Coil, both of which have non-radial bristles.

(K) Defendants' admission in the letter of January 27, 1950, that Serial No. 388,891 and Serial 627,013 would appear to support generic claims that recite that wires project from the collar at an angle from the radial refutes defendants' contention that there is no invention in a non-radial type bristle scratcher over the radial Wall Cleaning Guide.

(L) Defendants' admission in the letter of January 27, 1950, that the sidewise bristle concept was meritorious, belonged to Hall and that claims of generic scope should be obtained in Serial No. 627,013 does not lend credence to the charges subsequently made in this case that the allowance of considerably narrower claims numbered 23, 24 and 31 in Serial 55,619 were obtained fraudulently (Exhs. 133 and 134).

(M) Defendants' admission in the letter of January 27, 1950, that the sidewise bristle concept was meri-

torious, belonged to Hall and that claims of generic scope should be obtained in Serial 627,013 refutes the charges subsequently made in the case that the allowance of considerably narrower claims as recited in paragraph (N) above were obtained by fraud and that application Serial No. 55,619 was not a true continuation of Serial No. 627,013 and a continuation-in-part of Serial No. 388,891 (Exhs. 133 and 134). (See also R. 826, 831-833.)

THE CALIFORNIA LITIGATION.

While these proceedings were being carried on in the Patent Office, the California litigation also was being prosecuted. In January, 1950, depositions were taken in Washington, D. C., and Pittsburgh, Pennsylvania, of employees of Gulf Oil Company in Shreveport, Louisiana, of employees of Union Producing Company, in Jackson, Mississippi, of an employee of the California company to show misuse by defendants of the Wright method and apparatus patents.

Upon learning of defendants Nu-Coil scratcher in the early part of 1950 plaintiff Hall brought a motion to revise his pleadings which included a protest against defendants' appropriation of his design and a plea for cancellation of the 1944 Hall-Wright agreement (Exh. 34). His motion was granted on April 10, 1950, and a Supplemental Pleading to his Amended Complaint was filed which recited that claims had been allowed in his application for patent Serial 55,619 (Exh. 69) by the Board of Appeals; the manufacture and sale of Multiflex and Nu-Coil type scratchers were charged to breach the Hall-Wright agreement (Exh. 34) and cancellation or rescission of the agreement was requested. Defendants entered the market not only in the United States but in Venezuela, Mexico and Canada with their sidewise bristle scratchers, Multiflex and Nu-Coil, (Stipulation R. 3300) and to further harass Hall and plain-

tiff-interveners in the sale of the Hall type scratcher in the United States, defendants surreptitiously organized a corporation named Scratchers, Incorporated, acquired the Black and Stroebal patent No. 2,151,416 (Exh. 172) and brought three suits in Oklahoma and Texas against Hall's licensees and distributors. These suits were dismissed only after defendant B & W was drawn into the Oklahoma case as a party defendant (See Exhs. 143, 144 and 145, Findings XVI and XVII).

Following this activity on defendants' part, plaintiff Hall on March 30, 1951, brought a Motion for Summary Judgment in the California case requesting cancellation of the Hall-Wright agreement (Exh. 34, R. 3474-3480), that Hall's applications for patent assigned by the agreement be reassigned, that money paid in royalties by Hall be restored and that damages be assessed for breach of the agreement by the manufacture and sale of Multiflex and Nu-Coil scratchers. Although Defendants responded by a countermotion for Summary Judgment (R. 68-71) also requesting cancellation and the parties for a second time were in agreement that their contract should be cancelled, the trial court denied both motions on May 24, 1951, stating in his decision that the language of the agreement was uncertain as to the extent of the rights of the parties and this required that the contract be construed (R. 208-209).

To prove his case of damage, plaintiff Hall on July 10, 1951, moved the court for the production of defendant's purchase and sales records of Multiflex and Nu-Coil scratchers and at the same time defendants asked leave to file a Supplemental and Amended Answer to plaintiff's Supplemental Pleading. Plaintiff's motion was denied and defendants' motion was granted. In October, 1951, plaintiff renewed his motion for access to defendants' sales records and again his motion was denied.

In January, 1952, having received no relief from the Court and relying upon rights granted him under the 1944 agreement (Exh. 34) plaintiff Hall notified B & W customers who were purchasing Multiflex and Nu-Coil scratchers that a royalty of \$2.50 would be due and payable on purchases of these scratchers. Defendants were now immediately in court with an Order to Show Cause why a preliminary injunction should not issue against the circulation by plaintiff Hall of the royalty letter and plaintiff Hall simultaneously requested the court to enjoin defendants from placing notices on their scratchers that the purchase price included a royalty since their patents did not cover the devices nor the method employed in their use. The Injunction of January 26, 1952 (R. 209-212), was the result of these motions first enjoining the plaintiff Hall against sending the royalty letter and second against defendants for use of their royalty notices and requiring that both retract their actions by sending copies of the Injunction to recipients of the plaintiff's royalty letter and defendants' royalty notices.

Plaintiff Hall was again in court on July 7, 1952, with an Order to Show Cause why a temporary injunction should not issue restraining defendants from manufacturing and selling Multiflex and Nu-Coil Scratchers, showing also defendants' activities in the Patent Office to delay and prevent issuance of the Hall patent (R. 223-232). This order was summarily denied without explanation on September 18, 1952 (R. 232-233).

Further trial of the case began September 30, 1952, and on October 2, 1952, defendants filed an amendment to their counterclaims elaborating the charges of fraud and breach of contract against plaintiff Hall and included a request for cancellation and rescission of the contract. This pleading was answered by plaintiff on October 6, 1952,

The Hall patent No. 2,671,515 (Exh. 286) covering the sidewise bristle scratcher was finally issued by the

during the trial. The court ordered the case off the calendar on October 7, 1952, in order that all parties in interest be joined and a Second Amended Complaint (R. 234-251) to satisfy this requirement was filed January 2, 1953, which included plaintiff-interveners and additional defendants. Plaintiff-Interveners were licensees of plaintiff Hall or held properties used in the manufacture of tools sold by plaintiff-interveners (Exhs. 140, 141, 161, 162, 164 through 170, inclusive). Defendants' Answer and Counterclaim to the Second Amended Complaint was filed March 20, 1953 (R. 256-281), and plaintiff's Reply thereto on July 14, 1953 (R. 282-296).

A pretrial hearing was held September 28, 1953, and on October 23, 1953, plaintiff and plaintiff-interveners moved again for inspection of defendants' records of sales of Multiflex and Nu-Coil scratchers. Again the motion for access to these records was denied October 28, 1953.

By a Stipulated Partial Judgment dated November 9, 1953 (R. 303-308), the Hall-Wright agreement of 1944 (Exh. 34) was declared no contract and was cancelled as of its date of execution. Also, by this same stipulated judgment:

(a) Plaintiff and plaintiff-interveners were adjudged to have no interest or license in the three Wright patents No. 2,338,372 (Exh. 37), No. 2,374,317 (Exh. 38) and No. 2,392,352 (Exh. 39) nor in any other domestic or foreign patents granted to defendants.

(b) Defendants were adjudged to have no interest or license in the Hall applications Serial No. 388,891 (Exh. 1), Serial No. 528,183 (Exh. 2), Serial No. 627,013 (Exh. K) and Serial No. 55,619 (Exh. 69), now patent No. 2,671,515 (Exh. 286) nor any other domestic or foreign patents granted plaintiff or plaintiff-interveners.

(c) All causes of action in the Second Amended Complaint (R. 234), except that for unfair competition were dismissed.

By this same Stipulated Partial Judgment (R. 303-308), the Counterclaims of defendants for Declaratory Judgment and the Counterclaims for Anti-Trust Violation were dismissed with prejudice. The Counterclaim for Declaratory Judgment contained the following allegations:

(d) Paragraph F-3 (R. 269) relating to the abandonment of the Hall application Serial No. 627,013 (Exh. K) which defendants asserted had been fraudulently filed.

(e) Paragraph F-4 (R. 269) concerning the alleged fraudulent filing of Hall application Serial No. 55,619 (Exh. 69) as a continuation-in-part of Serial No. 388,891 (Exh. 1).

(f) Paragraph F-6 (R. 269) concerning the fraudulent filing of the Hall foreign patents and the assertion by plaintiff of said foreign patents.

(g) Paragraph F-7 (R. 270), the alleged fraudulent affidavits filed in the Patent Office to make the Hall application Serial No. 55,619 (Exh. 69) special.

(h) Paragraph G (R. 270) concerning the sending by plaintiff of the royalty letter demanding \$2.50 on sales of Multiflex and Nu-Coil and the assertion by plaintiff of claims allowed in Serial No. 55,619 (Exh. 69) knowing they were fraudulently obtained.

On November 17, 1953, the trial Court ordered plaintiff, plaintiff-intervenors and defendants to specify the charges of unfair competition upon which each would rely and particularize the proofs and exhibits that would be used to establish the charges and defendants, in addition, were instructed to specify their proofs as to infringement and plaintiff and plaintiff-intervenors the defenses they would rely upon (R. 309-315).

Patent Office on March 9, 1954, after 13 years of prosecution, stemming from an original and two subsequent continuing applications (Exhs. 1, K and 69). On March 17, 1954, after the trial had been completed and during the progress of the argument, defendants moved in open court and were granted leave to file a Supplemental Answer and Counterclaim (R. 326-330) praying that the validity of the Hall patent No. 2,671,515 be adjudicated (R. 3285-3287). Plaintiff and plaintiff-interveners' Reply (R. 321-322) was filed the following day and simultaneously an amendment was filed to the second Amended Complaint (R. 324-326) to include a cause of action charging defendants with infringement of the Hall patent.

The case was argued over a four-day period from March 16 through March 19, 1954, and the Trial Court's Decision was rendered September 17, 1954 (R. 333-345).

In the Original Decision no reference was made to a preliminary injunction, the Court stating on page 2 of the memorandum:

"This doctrine alone then should prompt denial of an equitable relief on both sides here. Moreover, the resort of both to self-help makes it clear that as far as any relief arising from unfair trade practices is concerned, the court should and will leave the parties as it finds them."

Defendants' proposed findings of fact, conclusions of law and judgment were filed October 11, 1954, and contained a proposed injunction, paragraph 12, which enjoined the parties from prosecuting pending actions or instituting new actions. Plaintiff and plaintiff-interveners objected to both the findings, conclusions and judgment and alternative additional findings and conclusions were filed by plaintiff and plaintiff-interveners on October 25, 1954 (R. 346-367).

On November 9, 1954, the clerk of the District Court addressed a letter to the attorneys of record for the respective parties enclosing a substitute page for page 15 of the court's memorandum decision. This substituted

page contained a new paragraph incorporating an injunction into the court's memorandum. It reads as follows:

"In order to preserve the status quo until the judgment shall become final, the injunction relating to communications to the trade issued January 26, 1952, pursuant to stipulation must remain in effect, and the parties be further enjoined from commencing any new action, or from prosecuting or taking any further proceedings in any pending action involving a claim or cause of action presented for adjudication in the case at bar. Both injunctions will continue in force *pendente lite* and, upon determination of this action by final judgment shall become *ipso facto* dissolved * * *."

The Court's Findings of Fact, Conclusion of Law and Judgment were filed November 15, 1954 (R. 368-396), and according to the above paragraph continued the Injunction of January 26, 1952 (R. 209), and ordered a second injunction differing in form from the injunction proposed by defendants.

Plaintiff and plaintiff-interveners appealed December 13, 1954, and defendants on December 14, 1954 (R. 397-399).

On February 3, 1955, plaintiff and plaintiff-interveners brought an alternative motion in this court to vacate, set aside, suspend or modify the Injunction *Pendente Lite* which was included in the Judgment (R. 391-396) and this motion was argued before the Circuit Court of Appeals on February 21, 1955. It is at present awaiting action by this court.

Plaintiff and Plaintiff-Interveners at this point by reference incorporate the argument on said Motion to vacate the Injunctions *Pendente Lite* set forth in their brief filed with this Court on February 3, 1955, and argued before this Court on February 21, 1955.

NOTE:—To summarize the facts and correlate them with the pleadings, there is included at this point in this Brief a schedule chronologically arranged, of the foregoing circumstances, pleadings and proceedings which it is believed will simplify an understanding of the salient facts in the case.

CHRONOLOGICAL SCHEDULE OF FACTS AND PLEADINGS. 1944-1948

Jan. - June

July - Dec.

1944. Interferences pending in U.S. Patent Office between Wright "Method" patent and "Apparatus" application and Hall applications Ser. Nos. 388,891 and 528,183 (Exhs. 6 and 7, R. 2941).

Hall-Wright agreement of Sept. 15, 1944 (Exhs. 34 and 41) settled interferences (R. 2942).

1945. Parties worked amicably under Hall-Wright (R. 2942).

agreement throughout the year 1945.

Hall Ser. No. 627,013 filed Nov. 6, 1945, continuation of Ser. 388,891 (Exh. K, R. 2939).

1946. Hall's success with Gulf Oil in U.S., and large Venezuela orders, provoked Defendants to threaten Hall's customers on Wright patents (Exhs. 16, 17, 18, 19, 44, 55, 56).

Attempt made in August by Hall's attorney to adjust differences re Hall-Wright agreement, particularly with regard to crosslicense under Wright patents. (See Supplemental Agreement, Exh. 35, California Club Memo, Exh. 171, R. 2943).

1947. Defendants consider and reject revision of Hall-Wright agreement (Exh. 35, See also Exh. 23).

Defendants continue misuse of Wright patents. Suit filed in Los Angeles on Dec. 11, 1947, under Declaratory Judgment Statute, with Motion for Preliminary Injunction. Motion denied Dec. 22, 1947 (R. 19 and 24).

Defendants reproduce Hall scratcher for Gulf Oil Co. (Exhs. 88 and 88-A), but upon advise of counsel do not sell (Exhs. 64 and 64B).

Defendants adopt Hall's sidewise bristle principle by manufacture and sale of "Multiflex" scratcher (Exhs. 57, 224, 225, and Stipulation, R. 1211).

1948. Defendants by Answer and Counterclaim (R. 25-53):

(a) plead that the Hall-Wright agreement be cancelled.

Hall Ser. No. 55,619 (Exh. 69) filed Oct. 20, 1948, as a continuation of Ser. Nos. 388,891 and 627,013.

(b) and charge Hall with infringement of Wright patents.

CHRONOLOGICAL SCHEDULE OF FACTS AND PLEADINGS. 1949-1950

Jan. - June

1949. Defendants protest to Patent Office to prevent issuance of Hall patent, Feb. 26, 1949 (Exh. 131).

Trial began May 25, 1949. Plaintiff agreed to counterclaim for cancellation. Defendants dismiss plea for cancellation with prejudice May 26, 1949, thereby waiving defenses dependent thereon (R. 56).

Plaintiff's Motion to amend complaint to adjudge whether "*Multiflex*" violate Hall-Wright agreement granted.

First Amended Complaint, Answer and Counterclaim, and Plaintiff's Reply filed.

Trial adjourned June 10, 1949.

July - Dec.

Further protest made to Patent Office to prevent issuance of Hall patent July 28, 1949 (Exh. 131).

Defendants brought out the second sidewise bristle "*Nu-Coil*" scratcher in the fall of 1949 (Exhs. 72, 226 and 227, R. 828, 856).

1950. Plaintiff's depositions to show misuse by Defendants of Wright patents (R. 524-605, 634-659, 659-671, 671-692, 698-719, 719-725).

Board of Appeals in Patent Office on Jan. 30, 1950 allow 3 claims to Hall in Ser. 55,619 (Exh. 69).

Wright makes 3 claims allowed to Hall in Wright application, Ser. No. 777,640, (Exh. 70), and Interference No. 84,411 (Exh. 71-A) declared Apr. 5, 1950.

Court grants Plaintiff's Motion to file Supplemental Pleading to First Amended Complaint, setting up "*Multiflex*" and "*NuCoil*" as breaches of Hall-Wright agreement and requesting cancellation or rescission Apr. 10, 1950.

Interference No. 84,411 between Hall and Wright dissolved by Patent Office Dec. 15, 1950, since Wright precluded from issuance of patent with Hall claims by Hall 1941 advertising (Exh. 71-B).

Scratchers, Inc. filed suits against Hall's licensee and distributors in Oklahoma City, Okla., Fort Worth, Texas and Houston, Texas (Exhs. 143, 144 and 145) for infringement of Black and Stroebel patent 2,151,416 (Exh. 172, Findings XVI and XVII).

Dismissed March 1951 when Defendant B & W joined as party-defendant in Oklahoma City suit.

CHRONOLOGICAL SCHEDULE OF FACTS AND PLEADINGS, 1951

Jan. - June

1951. On Mar. 13, 1951, Defendants reissued Wright Canadian patent 463,822 (Exh. Q₂) as Canadian Reissue patent 472,221 (Exh. Q₁).

Defendants advised Gulf Oil of the granting of the Reissue patent and sent a copy of the claims with the claims of their Canadian method patent on Apr. 3, 1951, (Exhs. 73, 73-A and 73-B).

Plaintiff's Motion for Summary Judgment to cancel Hall-Wright agreement, Mar. 30, 1951 (R. 57-67).

Defendants respond by Counter-motion for Summary Judgment to cancel Hall-Wright agreement, Apr. 6, 1951 (R. 68-71).

Suit was filed (Exh. N) by Plaintiff in Venezuela on Apr. 23, 1951 for infringement by Defendants of Plaintiff's Patent 3722 (Exh. O).

Both motions of Plaintiff and Defendants for Summary Judgment denied May 24, 1951 (R. 208-209).

In the Patent Office on Apr. 11, 1951 Wright petitioned the Commissioner of Patents for supervisory authority in Hall-Wright matter, and to strike Hall applications (Exh. 133). A second petition for supervisory authority was filed June 11, 1951 and Patent Office proceedings continued to prevent issuance of Hall patent.

On July 23, 1951 there was issued a Stop Order by Gulf Oil against purchases by their Canadian subsidiary of Hall-type scratchers (Exh. 81).

July - Dec.

Suit was brought on Aug. 15, 1951 (Exhs. 142, 142-A) in the Exchequer Court in Canada to impeach and cancel the Reissue Patent 472,221, (Exh. Q).

On July 16, 1951 Defendants' motion granted to file Supplemental and Amended Answer elaborating charges of fraud.

Plaintiff's Motion for Production of Sales Records of "Multiflex" and "NuCoil" denied July 16, 1951.

Plaintiff's Reply to Defendants' Supplemental and Amended Answer filed Sept. 10, 1951.

Pretrial hearing Oct. 15, 1951.

Plaintiff's renewed motion for production of sales records denied Oct. 29, 1951.

Proceedings continued unabated in Patent Office challenging Hall right to claims allowed by Board of Appeals and involved in Hall-Wright Interference (Exh. 285).

Controversy concluded in Hall's favor by Decision of Commissioner of Patents Dec. 12, 1951 (Exh. 71-D).

Defendants then petition the Patent Office for the Institution of Public Use Proceedings Dec. 14, 1951 (Exh. 135, BO).

CHRONOLOGICAL SCHEDULE OF FACTS AND PLEADINGS. 1953

Jan. - June

1953. Second Amended Complaint filed Jan. 2, 1953 for Declaratory Relief, Breach of Contract, Antitrust Violation, Unfair Competition (R. 234-251).

Answer and Counterclaim filed Mar. 20, 1953 (R. 251-281).

Testimony of Plaintiff and Defendants in Public Use Proceedings extended over period from January through June of 1953 (Exh. 285).

July - Dec.

Plaintiffs' Reply to Answer and Counterclaim, July 14, 1953 (R. 282-296).

Pretrial hearing Sept. 28, 1953.

Plaintiffs' renewed Motion for Inspection of Records of "Multiflex" and "NuCoil" sales, Oct. 23, 1953. Order denying motion Oct. 28, 1953 (R. 296-298).

Trial reconvened Nov. 3, 1953.

On Nov. 9, 1953 the parties stipulated a partial judgment (R. 303-308, Finding VI) declaring the Hall-Wright agreement (Exh. 34) never constituted a contract, and dismissing with prejudice:

- (a) all causes of action asserted against Roland Smith, Adams-Campbell, and California Spring Co., Inc.
- (b) all causes of action against Defendants except that for unfair competition
- (c) all causes of action against Plaintiffs and Plaintiff-Interveners included in:
 - 1)—Par. F-3—abandonment of Ser. 627,013 and fraudulent filing thereof
 - 2)—Par. F-4—fraudulent filing of Ser. 55,619.
 - 3)—Par. F-6—fraudulent filing of foreign patents by Hall and assertion thereof
 - 4)—Par. F-7—alleged fraudulent affidavits to make Ser. 55,619 "special" in Patent Office
 - 5)—Par. F-8—demanding royalty of \$2.50 and assertion of claims in Ser. 55,619 knowing they were fraudulently obtained.

Hearing in Public Use Proceeding Aug. 14, 1953 (Exh. 285).

Decisions of Patent Office in Public Use Proceedings, on Petition to Strike Hall Applications and Fraud, Dec. 2, 1953; Dec. 24, 1953; Dec. 29, 1953; and Jan. 13, 1954 (Exhs. 216 and 216-A).

Trial adjourned over Holidays Dec. 10, 1953

CHRONOLOGICAL SCHEDULE OF FACTS AND PLEADINGS. 1954-1955

1954. Trial reconvened Jan. 19, 1954, and was completed Feb. 4, 1954.

Hall patent 2,671,515 (Exh. 286) covering scratchers with sidewise bristle issued by the Patent Office Mar. 9, 1954.

On Mar. 15, 1954 suit filed in Kansas charging Defendants' distributor with infringement of Hall patent 2,671,515.

On Mar. 16, 1954 argument began in C. A. 7839 before District Court in Los Angeles.

On Mar. 17, 1954 during Argument, leave granted Defendants on Motion in open court to file Supplemental Answer and Counterclaim praying validity of Hall patent be adjudicated (R. 3283-3290, Findings XI, XII and XIII).

Plaintiff and Plaintiff-Interveners Reply charging Defendants with infringement of Hall patent filed following day, Mar. 18, 1954 (R. 3292-3293).

Argument completed Mar. 19, 1954.

1955. On Feb. 3, 1954, Plaintiff and Plaintiff-Interveners filed an Alternative Motion in the C. C. A. to vacate or modify the Injunction concerning prosecuting pending actions or instituting new actions.

The motion was briefed and argued before the C.C.A. Feb. 21, 1955.

Memorandum Opinion of District Court Sept. 17, 1954 as originally rendered contained no mention of a preliminary injunction.

On Oct. 11, 1954, pursuant to the District Court's instructions, Defendants filed Proposed Findings of Fact, Conclusions of Law and Judgment, which included an injunction against prosecuting pending actions and instituting new actions.

Objections to the Proposed Findings, Conclusions and Judgment, as well as Alternative and Additional Findings and Conclusions were filed by Plaintiff and Plaintiff-Interveners Oct. 25, 1954 (R. 346-367).

On Nov. 9, 1954 the Clerk of the District Court sent a substitute page 15 for the Court's Decision of Sept. 17, 1954 continuing the Injunction of Jan. 25, 1952 and issuing an injunction against prosecuting pending action and instituting new actions, both to continue *pendente lite* until final judgment.

Findings of Fact and Conclusions of Law and Judgment adopted by the District Court Nov. 15, 1954 included:

Paragraph 15 continuing the injunction of Jan. 25, 1952 *pendente lite* until final judgment, and Paragraph 16 an injunction against prosecution of pending actions and instituting new action also to continue *pendente lite* to final judgment (R. 391-396).

Plaintiff and Plaintiff-Interveners appealed Dec. 13, 1954 (R. 397-398).

Defendants appealed Dec. 14, 1954 (R. 398-399).

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Plaintiff and Plaintiff-Intervenors appealed Dec. 13, 1954 (R. 397-398).

Defendants appealed Dec. 14, 1954 (R. 398-399).

QUESTIONS INVOLVED.

1. Was the District Court justified in dismissing the complaint of plaintiff and plaintiff-intervenors for unfair competition of defendants because of the alleged unclean hands on the part of plaintiff Hall?

2. Was the District Court justified in dismissing the complaint of plaintiff and plaintiff-intervenors for unfair competition because of the alleged unclean hands on the part of plaintiff-intervenors?

3. Was the District Court justified in finding that the techniques used by plaintiff and plaintiff-intervenors to obtain business constituted such self-help as to amount to unclean hands?

4. Was the District Court justified in finding that the filing and prosecution of litigation by plaintiff and plaintiff-intervenors constituted such self-help as would amount to unclean hands?

5. Was the District Court justified in finding that the \$2.50 letter was unfair, without cause and not in good faith?

6. Was the District Court justified in finding that the \$2.50 letter was a notice without cause by plaintiff-intervenors?

7. Was the District Court justified in finding that the Hall patent No. 2,671,515 was invalid as lacking invention over the state of the prior art and decreeing that said patent was invalid and void?

8. Was the District Court justified in continuing the preliminary injunction of January 26, 1952?

9. Was the District Court justified in ordering the preliminary injunction contained in paragraph 16 of its Judgment?

10. Was the District Court justified in denying plaintiff and plaintiff-intervenors the relief prayed for in this cause?

SPECIFICATION OF ERRORS.

The District Court erred in making the findings and issuing the Judgment in each of the following particulars:

I.

The District Court erred in dismissing the Second Amended Complaint of Plaintiff and Plaintiff-Intervenors for Unfair Competition (See paragraph 4 of the Judgment).

II.

The District Court erred in dismissing the amendment to the Second Amended Complaint (See paragraph 5 of the Judgment).

III.

The District Court erred in finding, concluding and decreeing that the Hall patent 2,671,515 granted March 9, 1954, is invalid and void as to each and every claim thereof (See Finding XXIII, Conclusion D and Judgment paragraph 8).

IV.

The District Court erred in continuing the Preliminary Injunction of January 26, 1952 (See paragraph 15 of the Judgment).

V.

The District Court erred in ordering the Injunction contained in paragraph 16 of the Judgment.

VI.

The District Court erred in not giving plaintiff and plaintiff-intervenors relief prayed for in their pleadings.

VII.

The District Court erred in finding that plaintiff Hall employed techniques to influence the placing of business "which techniques involved everything from veiled threats to adroit suggestions in an effort to make the larger oil producing companies feel more secure patent infringementwise if they would direct their business" to him (See Finding XXIV).

VIII.

The District Court erred in finding that plaintiff-intervenors employed techniques to influence the placing of business "which techniques involved everything from veiled threats to adroit suggestions in an effort to make the larger oil producing companies feel more secure patent infringementwise if they would direct their business" to them (See Finding XXIV).

IX.

The District Court erred in finding that the techniques referred to in VII and VIII above constituted such self-help as amounted to unclean hands (See findings, paragraph XXIV, XXVa, XXVI).

X.

The District Court erred in finding that the letter requesting \$2.50 royalty sent on behalf of plaintiff Hall was a notice given unfairly and without cause and not in good faith (See findings XVIII, XXIX and XX).

XI.

The District Court having found that plaintiff Hall believed himself to be the exclusive licensee (Finding IV) erred in finding that the \$2.50 royalty letter was un-

fair, without cause and not given in good faith (See X above).

XII.

The District Court erred in finding that the letter referred to in X above was a notice given by plaintiff-intervenors (See findings XVIII, XIX and XX).

XIII.

The District Court erred in finding that a royalty of \$2.50 assessed in plaintiff's royalty letter was not within the bounds of economic reason and that such letter notice was not given in good faith (See Finding XX).

XIV.

The District Court erred in finding that the sending of such letter (X above) was such self-help as to constitute unclean hands (See Findings XXVa and XXVI).

XV.

The District Court erred in finding that the suits and proceedings instituted in the United States and foreign courts by plaintiff and plaintiff-intervenors constituted such self-help as amounted to unclean hands (See Findings XXI, XXII, XXVa and XXVI).

XVI.

The District Court having found that the oppositions by defendants in the Patent Office to the grant of the Hall patent No. 2,671,515 constituted such self-help as amounted to unclean hands (See Findings XVI, XXV, XXVa and XXVI) erred in not awarding damages or an accounting with respect thereto.

XVII.

The District Court, having found that notices given by defendants of infringement of the Wright patents Nos. 2,338,372 and 2,374,317 were not as a preliminary to suit and not in good faith because these patents did not cover the accused methods and devices and were for the purpose of establishing a limited monopoly in the sale of scratchers not covered by said patents, erred in not enjoining the same awarding to plaintiff and plaintiff-intervenors damages and ordering an accounting (See Findings XIV, XV, XVa, XVb and XVc).

XVIII.

The District Court having found that the organization of Scratchers, Inc., and the bringing of actions by such corporations constituted self-help as amounted to unclean hands erred in not awarding damages to plaintiff and plaintiff-intervenors or an accounting with respect thereto (Findings XXIV, XXV, XXVa and XXVI).

XIX.

The District Court erred in finding that the plaintiff and plaintiff-intervenors came into this court of equity with unclean hands (See Finding XXVI).

XX.

The District Court erred in concluding that plaintiff and plaintiff-intervenors came into this court of equity with unclean hands and failed to maintain their hands clean and for that reason all relief should be denied to them (See Conclusion B).

XXI.

The District Court erred in concluding that the plaintiff and plaintiff-intervenors during the pendency of this action resorted to self-help and for that reason "any relief

arising from unfair trade practices" should be denied to them (Conclusion C).

XXII.

The District Court having found that the \$2.50 royalty letter constituted such self-help as amounted to unclean hands erred in not finding that the plaintiff Hall had purged himself of unclean hands if such inequity ever existed.

XXIII.

The District Court erred in not finding, not concluding and not decreeing that the Hall patent No. 2,671,515 and every claim thereof was valid and infringed by defendants.

XXIV.

The District Court erred in finding and concluding that the Hall patent 2,671,515 and all claims thereof were invalid as lacking invention over the state of the prior art in view of the absence of subsidiary findings to support such findings and conclusion (See Finding XXXII and Conclusion D).

XXV.

The District Court erred in giving judgment that the Hall patent No. 2,671,515 is invalid in the absence of subsidiary findings referred to in XXIV above.

XXVI.

The District Court erred in continuing the preliminary injunction of January 26, 1952, enjoining communications to the trade (See Judgment, paragraph 15).

XXVII.

The District Court erred in enjoining the commencing of any new action and prosecuting or taking further proceedings in pending actions involving any claim or cause of action presented to the court for adjudication in this case (See Judgment, paragraph 16).

ARGUMENT.

A. The District Court Erred in Finding Plaintiff Hall and Plaintiff-Interveners Guilty of Unclean Hands.

A-1. Domestic and Foreign Litigation.

Plaintiff Hall and plaintiff-interveners were not guilty of unclean hands in instituting and prosecuting the actions referred to in Findings XXI, XXIII and XXV.

The following analysis of the actions listed in Finding XXI will show the legality and regularity of the bringing of these actions and the fact that they were, when brought, unrelated to any issue presented to the Trial Court in this case except in a general way. They did not present issues then being tried in that Court and their adjudication would not in any way prejudice any judgment of the Court.

The actions brought by plaintiff-intervener Weatherford Oil Tool Co. against B & W, Inc., and Bruce Barkis were brought prior to the intervention of plaintiff-interveners on January 3, 1953, which intervention was made on instructions of the Trial Court.

Since January, 1949, plaintiff-intervener Weatherford Oil Tool Co. has operated as a licensee of plaintiff Hall in the manufacture and sale of scratchers in the United States and the sale of scratchers in foreign commerce through such companies as Hall Development Co. of Venezuela and Weatherford, Ltd. of Canada (Exhs. 105, 106, 158, 159, 161, 162 and QQ, R. 805-806). The activities of defendants were thus directed against this competition in the U. S. and in foreign countries (Exhs. 73, 73A, 73B, 74, 77, 78, 79, 81, 82, 83, 175, 175A, 175B, 175G,

175I, 176H, 176I, 177A, 177D, 177G, 178A, 178D, 178G, 179D, 179F, 180A, 180C, 180E, Stipulation, R. 3300). During all of this period since the filing of the original complaint on December 11th, 1947, no relief was obtained by any of the motions and petitions of Hall in this action to stop these unfair trade tactics found by the court to constitute unfair competition (See Findings XIV, XV, XVa, XVb, XVc, XVI, XVII, XXIV, Trial Court's Memorandum, page 5). To meet these threats charging infringement against Weatherford Oil Tool Co. and its customers, Weatherford Oil Tool Co. filed its action against B & W, Inc., and Bruce Barkis in the United States District Court, Southern District of Texas, Houston Division, C. A. No. 5168. This was dismissed and a similar action C. A. No. 6197 filed (See Findings XXI and XXII and Notice under Local Rule 35 filed by Defendants, R. 316, 318-319).

In these actions based upon the declaratory judgment statute and unfair competition, Weatherford Oil Tool Co. sought to have defendants' patents declared invalid and defendants enjoined from continuing its unfair and illegal practices. This it is to be remembered was all prior to the intervention of Weatherford Oil Tool Co. in this litigation. No charge of inequitable conduct or unclean hands therefore has any basis in these proceedings.

A-2. Canadian Litigation.

In order to bolster their threats and to make Canadian customers of plaintiff-intervener Weatherford, Ltd., "feel more secure patentwise" if they would direct their business to Defendants instead of Weatherford, Ltd., defendants devised a scheme to intimidate oil companies drilling in Canada. Defendant Wright had obtained on March 21, 1950, a Canadian patent No. 463,822

(Exh. Q2). This patent was based on a United States application Serial No. 369,389 upon which was issued U. S. Letters Patent No. 2,374,317 (Exh. 38). The Claims of the Canadian patent were directed to a scratcher with radially extending fingers or wires. This corresponded to the construction of the B & W wall cleaning guide (compare drawing of the patent Exhibit 2 with Exhs. 42 and 104). It did not correspond to the Hall Scratcher (compare Exh. 40 and drawings in Hall patents No. 2,671,515, Exh. 286). Recognizing the insufficiency of their Canadian patent to cover the Hall type scratcher or its use in cementing walls, defendants obtained on March 13, 1951, a reissue of their patent No. 472,221 (Exh. Q1). As soon as defendants learned of the grant by the Canadian Patent Office of the claims in the reissue application, they immediately notified Gulf Oil Co., who through its subsidiary, the Canadian Gulf Co., had important drilling operations in Canada and was Weatherford Ltd.'s best customer. That this was a "veiled threat" and an "adroit suggestion" in an effort to make Gulf "feel more secure patent infringementwise" if it would direct its business to B & W is abundantly evidenced by what occurred (Finding XXIV).

On April 3, 1951, defendant Wright wrote to Houghton, patent counsel for Gulf, enclosing the claims of the Canadian reissue patent (Exh. Q1) with a significant illusion to the ability of defendant B & W to supply the needs of Canadian Gulf in the Dominion (Exh. 73).

Gulf Oil understood the significance of this letter as shown by the opinion rendered by Houghton on May 28, 1951 (Exh. 76), and the consequent decision of Gulf Oil on July 23, 1951, to purchase only B & W scratchers for use in Canada (See Exh. 81).

Because of this loss of sales plaintiff Hall was damaged since he received income from royalties paid on account of sales made in Canada by Weatherford, Ltd. (See Exh. 140).

On August 15, 1951, Hall Development Co. of Venezuela not then a party to this action but now one of the plaintiff-interveners filed a claim in the Exchequer Court of Canada under the Canadian Patent Impeachment Statute to have the Wright reissue patent No. 472,221 (Exh. Q1) declared invalid and revoked (See Exh. Q).

Plaintiff Hall applied to the District Court on February 8, 1952, for modification of the injunction of January 25, 1952, and for an order spelling out the prohibition of said injunction which would reach these notifications by B & W to Canadian Gulf and require defendants to state to Gulf Oil that plaintiff's rights under the Canadian Wright patents were at issue in the present case and that their notification to Gulf was to be disregarded (R. 213, 218-219).

At the same time plaintiff Hall filed a motion in the instant case for summary judgment to declare that the agreement of September 15, 1944 (Exh. 34), extends to the Canadian reissue patent No. 472,221 (Exh. Q1) and enjoining defendants from making any communication to others alleging that the license does not so extend (R. 213-221).

The motion for modification of the preliminary injunction was denied on February 18, 1952, and the motion for summary judgment was denied on April 24, 1952 (R. 222).

Subsequently on August 5, 1952, plaintiff Hall who had reacquired his Canadian patents from Hall Development Co. of Venezuela (Exhs. 137 and 139) was joined as a party

plaintiff in the Canadian action No. 53,422 which had been filed in the Exchequer Court of Canada (Exhs. 142 and 142a).

It should be noted that in this Canadian case the grounds advanced for invalidity of the Canadian reissue patent were that the original Wright Canadian patent was " * * * not defective or inoperable by reason of insufficient description or specification, and by reason of the patentee claiming less than he had a right to claim as new * * * "; and, that prior to the filing of the petition for reissue, defendant Wright had become aware of the sale of scratchers invented by plaintiff Hall and their use in Canada and had improperly claimed as his property a material part of the invention made by Hall. Petitioner Wright alleged in his petition for reissue that Wright was the inventor of the additional subject matter presented in the reissue, when in fact Hall was the inventor of such subject matter (See Exh. 142, paragraphs 7 and 10).

The claim of prior invention which is an issue in the Canadian case was raised as a *defense* in the present litigation (See Notice filed October 27, 1953, under U.S. Code, Title 35, Section 282, R. 298).

Furthermore, the Canadian action is at issue and except for such discovery proofs as may be found necessary to plaintiff's case in the Canadian action, the case awaits a date of setting for trial by the Canadian Court.

The unfair tactics of defendants of which the Canadian situation described above is but one was before the trial court by reason of the above motion for preliminary injunction and summary judgment filed February 8, 1952. It was before the lower court by reason of the allegations in the first amended complaint and also in paragraphs VII(1) and (2) and VIII(1), XIV and XV of the

second amended complaint and by evidence introduced at the trial.

A-3. The Action in Mexico.

This was an administrative action in the Mexican Patent Office to set aside a decision of the Commissioner of Patents finding that the Hall Mexican patent No. 47,661 lacked novelty (See Finding XXI and defendants' notice under local Rule 35, R. 316, 318).

A-4. Kansas Litigation.

The suit in Kansas was styled *Jesse E. Hall v. J. L. Robinson d/b/a Robinson Oil Field Specialty*. It was brought for infringement of the Hall patent No. 2,671,515 (Exh. 286) which patent is also involved in this case (See Findings XI, XII, XIII). The suit was brought on account of an infringement occurring in Kansas by the defendants who were citizens of Kansas and not parties to this action.

A-5. Venezuelan Suits.

Two actions were actively prosecuted in Venezuela to prevent the sale of Multiflex and Nucoil Scratchers by defendant B & W and its distributor Vacuum Truck Service. As Finding XXI indicates, an injunction was sought in the State of Anzoátegui against Vacuum Truck Service and a patent suit was filed in Caracas by plaintiff Hall against defendants for infringement of the Hall Venezuelan patent No. 3722. In neither of these cases would the California court have had jurisdiction, nor were the issues such that they could have been determined in California (See Exhibits M, N, O, P, defendants' statement under Local Rule 35, pages 6 and 7 and Finding XXI).

A-6. Recapitulation Anent Litigation.

To recapitulate, it will be noted that the actions brought in Houston, Texas, were filed by Weatherford Oil Tool Co. before it became a party to this action and were defensive in that they were directed to preventing the continuance of unfair tactics of defendants herein. The actions brought by plaintiff and plaintiff-interveners in Canada, Mexico and Venezuela could in no way affect the litigation prosecuted in the California Court. The Venezuelan actions were for violations of rights in which the Trial Court had no jurisdiction to redress nor was the right under Venezuelan law to enjoin sales of scratchers an issue which was in any way involved in this action. The determination of whether or not the Hall Mexican patent was to be annulled by the Mexican Patent Office and the Canadian action to impeach Wright's Canadian reissue patent were entirely unrelated to any issue involved in the California case. Manifestly, there is no identity of issues, nor do the issues depend upon the same questions of law.

The determination of the issues in one jurisdiction will not in any practical sense determine the issues in another jurisdiction. In such circumstances, there is no multiplicity of suits and in the absence of any finding or showing of fraud or oppression or any showing which would justify the interposition of a court to prevent wrong or injustice, the bringing of these actions is not against accepted equitable principles. *Mutual Life Ins. Co. v. Bruni's Assignees*, 96 U.S. 588, 593, 24 L. Ed. 737. *Kleine v. Burke Construction Co.*, 260 U.S. 226, 230; *New York Life Insurance Co. v. Stoner*, 92 F. 2d 845, 848 (C.C.A. 8, 1937); *Armour & Co. v. Haugen*, 95 F. 2d 196, 200 (C.C.A. 8, 1938); *Equitable Life Assurance Society v. West*, 102 F. 2d 10, 14 (C.C.A. 8, 1939).

We again call attention to the absence of any findings that the prosecution of these actions will (a) interfere with the progress of this litigation; (b) interfere with the establishment of the rights in issue in this litigation; (c) subject the defendants to fraud, gross wrong or oppression; (d) cause irreparable injury to defendants; (e) subject defendants to great hardship, inconvenience or expense; (f) result in an unfair or unconscionable or inequitable advantage to plaintiff or plaintiff-interveners, either under the law or the facts; (g) be unduly annoying, vexatious or harassing to defendants or (h) be contrary to equity or good conscience (see 43 C.J.S., pp. 499-500).

A-7. Plaintiff and Plaintiff-Interveners Had a Legal Right to Bring and Prosecute These Lawsuits.

Having this legal right to bring and prosecute these actions no charge of unclean hands may be predicated on the mere fact that these suits were brought or prosecuted particularly in the absence of any evidence of any wrongful motive in bringing these actions. As was stated in *Complete Service Bureau v. San Diego Medical Society*, 43 Cal. 2d 201, 217, 272 P. 2d 497 (quoted in the Appendix). *Johnson Laboratories, Inc., v. Meissner Mfg. Co.*, 98 F. 2d 937, at 948. *Kryptok Co. v. Stead*, 190 F. 767, 39 LRA NS 1 (quoted in Appendix). *Zephyr American Corp. v. Bates Mfg. Co.*, 59 F. Supp. 573, at 575 (quoted in Appendix).

The motive which impels a plaintiff to bring an action is not important "so long as the litigant has a legal and moral right upon which to bring suit." *Leo Feist v. Young*, 138 F. 2d 972, at 974 (C.C.A. 7). See also *Connolly v. Union Sewer Pipe Co.*, 184 U.S. 540, at 545, 46 L.Ed. 679 (quoted in Appendix).

There is no basis in the evidence in this case for any finding of a wrong motive in bringing these lawsuits, and in

fact no such finding has been made. That the above suits were "tried to the trade" as found by the court even if so tried, although this is denied, is not sufficient for a finding of unclean hands. There is simply no evidence that any untruthful or any unfair statements were made by plaintiff or plaintiff-interveners to the trade or in fact any statements, advertisements, publicity or any propaganda issued by them respecting these lawsuits in this country or in any of the countries in which lawsuits were filed. The finding that the lawsuits were "tried to the trade" whatever that ambiguous term may mean and that they were instituted to serve "as a basis for sales propaganda" is simply not supported by any evidence. Furthermore publicity about lawsuits does not constitute unfair tactics or unfair competition so long as it is truthful, but certainly where no such publicity is sought, the fact that a lawsuit will give somebody a competitive advantage where the lawsuit is legally and morally justified can be no basis for any charge of unclean hands.

In the absence of evidence that these actions were brought in bad faith, good faith must be presumed and such presumption is not overcome except by evidence of bad faith. *Celotex Co. v. Insulite Co.*, 39 F. 2d 213, 218 (D.C. Minn., 1930).

Flynn & Emrich Co. v. Federal Trade Commission,
52 F. 2d 836, 838 (C.C.A. 4, 1931).

California Code of Civil Procedure, Sec. 1963 (19).

The findings of the Trial Court are insufficient to support any charge of unclean hands arising from the bringing of these actions, since there are no findings that these actions were brought in bad faith and the absence of such finding is equivalent to a finding for plaintiff and plaintiff-interveners as to that fact. In *Heuser v. Federal Trade Commission*, 4 F. 2d 632, 634 (C.C.A. 7, 1925), the Court said:

“It is well settled that a finding of fact in order to sustain a plaintiff’s cause of action, must contain all the facts necessary to a recovery, and the failure to find any material fact charged is equivalent to a finding against the plaintiff for the defendant as to that fact. The findings of the respondent are not sufficient to sustain the order complained of.”

B. Plaintiff Hall Is Not Guilty of Unclean Hands in Sending the \$2.50 Royalty Letter.

B-1. Plaintiff Hall in Sending the \$2.50 Royalty Letter Referred to in Findings XVIII, XIX and XX Was Acting in Good Faith and in the Exercise of a Right He Then Believed Himself to Possess.

In fact the Trial Court in Finding IV found that “Plaintiff Jesse E. Hall throughout the period of this litigation and prior to the stipulation of November 9, 1953, claimed in the United States an exclusive license in and to the invention covered by United States Letters Patent No. 2,671,515 * * * .”

The letters were sent on behalf of plaintiff Hall in January, 1952, Hall believing himself to be the exclusive licensee and asserting his exclusive right in the Multiflex and Nu-Coil scratchers then being manufactured and sold by defendant B & W, Inc. The sending of the letters was in good faith and in exercise of a legal right which plaintiff believed had vested in him by the agreement (Exh. 34).

B-2. An Offer of a License Is Not a Threat of Suit for infringement.

The letter is no more than an offer of a license under Hall’s exclusive right and did not constitute a threat of suit for infringement.

Alamo Refining Co. v. Shell Development Co., 99 F. Supp. 790, at 795 (quotation in Appendix) (See also *Leo*

Feist v. Young, 139 F. 2d 972, 975-976 (C.C.A. 7) (quoted in Appendix)).

B-3. The Offer of a License Contained in the Letter Cannot from the Evidence Be Found to Be in Bad Faith or Sent with an Improper Motive.

The fact that Hall finally concluded that he was mistaken in his belief as to the contract (Exh. 34) and entered into the stipulation of November 9, 1953 (R. 303-308), cannot be made the basis of a charge of inequitable conduct which implies a lack of good faith in view of Finding IV. Whatever may be said of the legal basis of his claim of exclusive license in view of this stipulation, his conduct must be taken, particularly in view of the court's finding to be based on an honest belief and not out of a wrongful motive and this does not constitute unclean hands. *Harlan v. Willard*, 52 Cal. App. 194, at 198, 198 P. 424 (quotation in Appendix).

B-4. As an Exclusive Licensee, Plaintiff Hall on Issuance of His Patent Would Have the Right to Bring an Action for Infringement Against Defendant B & W and Its Customers.

Independent Wireless Tel. Co. v. Radio Corp. of America, 269 U.S. 459, 469.

Breden v. Solomon, (C.C.D. of Md.) 145 F. 944.

Breden et al. v. National Met. Co., (C.C.W.D. of Pa.) 182 F. 654, 660.

National Metal Co. v. Breden, (3rd Cir.) 186 F. 491, 493.

Paul E. Hawkinson Co. et al. v. Arnell et al., (3rd Cir.) 112 F. 2d 398.

B-5. Having the Right to Sue for Infringement, Plaintiff Hall Also Had the Right by Contract to Waive That Right by Granting a License.

DeForest Co. v. U. S., 273 U.S. 236, 241.

- B-6. Such a License Could Have Been Granted Before a Patent Issued and Would Have Been Valid Even Though a Patent Later Was Denied.**

York v. Strommen, 105 Cal. App. 2d 586, 234 P. 2d 134.

Cook Packing Co. v. V. H. Parker & Sons, 89 W. Va. 7, 109 S.E. 744.

Keystone Type Foundry Co. v. Fastpress Co., (2nd Cir.) 272 F. 242.

St. Louis Street F. M. Co. v. Sanitary Sheet F. M. Co., 178 F. 923.

- B-7. The \$2.50 Royalty Letters Were Signed by and Were Sent with the Advice of Hall's Attorney and Therefore Cannot Be Made the Basis of a Charge of Unclean Hands.**

There is no justification in the evidence for Finding XIX that the notices were given to the trade unfairly, without cause and without intent that such notices serve as a preliminary to suit. In *Celotex v. Insulite Co.*, 39 F. 2d 213, 218-219 (D.C. Dist. of Minn., 4th Division), the Court said:

“Advice of counsel may not always be a complete defense to a charge of bad faith, but when one honestly believes he has a patent which is being infringed, and that belief is substantiated by advice of reputable and learned counsel, whose good faith in giving it is not in dispute, and when the warnings or circulars sent to the trade are prepared by such counsel and sent out with his sanction and upon his assurance of a legal right to send them, and when such counsel has been instructed to bring suit, it is doubtful whether a finding that the person who sent them acted in bad faith in so doing could be sustained.”

(See also *Russo v. Thompson*, 294 Mass. 4, 200 N.E. 570, 573 (quotation in Appendix).)

The statement in Finding XIX that "there is no justification in the evidence * * * that the notices were given * * * without intent that such notices serve as a preliminary to suit" is untrue and contrary to the facts since Hall immediately upon issuance of his patent brought suit in Kansas against J. L. Robinson, a distributor for defendant B & W of Multiflex and Nucoil Scratchers.

B-8. Nor Is There Justification in the Evidence for Finding XX That a \$2.50 Royalty Would Not Be Within the Bounds of Economic Reason.

If plaintiff Hall in offering to grant licenses was proceeding in the belief that he was within his legal rights, the royalty demanded even though it appeared in the extra-judicial opinion of the trial court "not to be within the bounds of economic reason" does not make such offer inequitable on the part of plaintiff Hall. Thus, for example, the harshness of the terms of a contract of a license does not of itself make the contract lacking mutuality or in consideration. *Meurer Steel Barrel Co. v. Martin*, 1 F. 2d 687 (C.C.A. 3); *Cook Pottery Co. v. V. H. Parker & Sons*, 89 W.Va. 7, 109 S.E. 744, 747.

We say that this Finding is not supported by any evidence and constitutes the "extra-judicial opinion of the trial court" because there is no evidence in this record of any kind, either by way of factual evidence or opinion evidence, directed to showing that the requested royalty was not within bounds of economic reason or was so grossly unreasonable as to be evidence of bad faith as it is characterized by the trial court.

In view of the state of the record, the conclusion of the trial court unless it could take judicial notice of what royalty was "within the bounds of economic reason" must be merely his extra-judicial opinion and could not be in

any way support for this finding. As was said in *Standley v. Knapp*, 113 Calif. App. 91, at 95, 298 Pac. 109, abstracting from Ruling Case Law, *infra*:

“And therefore individual and extrajudicial knowledge on the part of a judge will not dispense with proof of facts not judicially cognizable and cannot be resorted to for purposes of supplementing the record.”

See also Ruling Case Law, Vol. 15, p. 1057, and California Code of Civil Procedure, Sec. 1875 (quotation and authorities in Appendix).

Concededly the Court may take judicial notice of facts of common knowledge, provided that these facts have been authoritatively settled.

Weitzenkorn v. Lesser, 40 Cal. 2d 778, 256 P. 2d 947.

Takahashi v. Fish & Game Comm., 30 Cal. 2d 719 at 732, 185 P. 2d 805.

Communist Party v. Peek, 30 Cal. 2d 536, at 546, 127 P. 2d 889.

Elford v. Hiltabrand, 63 Cal. App. 2d 65, at 72, 146 P. 2d 510.

Varcoe v. Lee, 180 Cal. 338, pp. 345 and 346, 181 P. 223 (quoted in Appendix).

A court may not take judicial notice of the value of a property right although it may take judicial notice of facts of common knowledge which are authoritatively settled and which affect the value of a property right.

Ohio Bell Telephone Co. v. Quality Public Utilities, 301 U.S. 292, 81 L. Ed. 1093.

Also, where there is any doubt, it must be resolved against taking judicial notice.

Varcoe v. Lee, *supra*.

Weitzenkorn v. Lesser, *supra*.

Cowchella Farms, Inc., v. Martin, 219 Cal. 1, 25 P. 2d 435.

Elford v. Hiltabrand, *supra*.

Thus, the Court may not take judicial notice of the rental value of real property.

31 C. J. S. 703, Note 96.

Illinois Co. v. Coffman, (Ind. App.) 188 N.E. 217, at 219 (quoted in Appendix).

The Federal courts in California follow this law. *Hagen v. Potter*, 156 F. 2d 362, at 365 (C.C.A. 9th) (Quoted in Appendix).

Thus, in the absence of any testimony or documentary evidence and in view of the law prohibiting judicial notice of such facts Finding XX is clearly erroneous.

B-9. Plaintiff Hall Has Purged Himself of Any Evidence of Unclean Hands.

If the sending of the \$2.50 royalty letter by counsel on behalf of plaintiff Hall is evidence of unclean hands, plaintiff has purged himself of any wrong by promptly on instructions of the trial court by circulating the injunction of January 26, 1952 (R. 209-212), to those to whom the original letters were sent.

B. B. Chemical Co. v. Ellis, 314 U.S. 495, at 498, 86 L. Ed. 367.

Sylvania v. Visking Corp., 132 F. 2d 947 (C.C.A. Va.).

Universal Sewer Pipe Corp. v. General Const. Co., 42 F. Supp. 152.

Novadel-Agene Corp. v. Penn, 109 F. 2d 756 (C.C.A. 5th) 119 F. 2d 756.

Eastern Venetian Blind Co. v. Acme Steel Co., 188 F. 2d 247, at 254 (C.C.A. 4th).

Metals Disintegrating Co. v. Reynolds Metal Co., 107 F. Supp. 105.

C. Justification for Sending the \$2.50 Royalty Letter Was the Trial Court's Continued Refusal to Give Relief.

Plaintiff and plaintiff-interveners were justified in their actions since plaintiff Hall failed in his repeated efforts to obtain relief from the Trial Court for the activities of defendants found by the court to constitute unfair competition and inequitable conduct. In the absence of such relief, plaintiff and plaintiff-interveners had the right to resort to legally permissible self-help in mitigation of damages suffered as a result of defendants' inequitable conduct. As is stated in "Restatement of Torts," Vol. 4, Sec. 950, pp. 766-767:

"The measure of self help here contemplated as alternatives to injunction embrace any form of self-protective action which, without intervention of courts, police or other agencies of the government, may enable the victim of the tort to prevent, mitigate or repair the harm. In some situations such action may be of a character which would normally be unlawful but which, under the circumstances, is privileged * * * ."

An examination of the proceedings in the Trial Court will reveal that plaintiff appealed to the trial court repeatedly for help and relief against defendants' unfair tactics but only once was relief forthcoming and then of minor consequence. That was obtained after defendants' motion to enjoin plaintiff Hall from sending the \$2.50 royalty letter. By the injunction issued by the trial court on January 26, 1952, the court also enjoined defendants against affixing royalty notices to the scratchers they were offering the trade since their patents did not cover the devices or the method recommended for their use.

C-1. Schedule of Petitions to Trial Court.

Efforts of plaintiff Hall seeking the aid of the Trial Court on different occasions during the pendency of this litigation are scheduled below:

- 12-11-47 Plaintiff's order to show cause re preliminary injunction (R. 19-23).
- 1-19-48 Denial of Order to Show Cause (R. 24).
- 5-25-49 Court's order permitting defendants to dismiss counterclaim for cancellation of Hall-Wright's agreement after plaintiff acquiesced thereto in open court (R. 56).
- 3-30-51 Plaintiff's motion for summary judgment to cancel Hall-Wright agreement (R. 57).

Attached to motion:

Material facts admitted (R. 58-65).
Scofield Affidavit (R. 66-67).

- 4-6-51 Defendants' response to plaintiff's motion for summary judgment and counter-motion for summary judgment for cancellation of Hall-Wright agreement (R. 68-71).
- 5-24-51 Order denying both plaintiff and defendants' motions for summary judgment (R. 208-209).
- 1-26-52 Injunction re \$2.50 royalty letter and defendants' royalty notices (R. 209-212).
- 2-8-52 Plaintiff's motion for summary judgment resulting from defendants' activities in Canada (R. 213-221).
- 4-24-52 Order denying motion (R. 222-223).
- 7-9-52 Plaintiff's order to show cause why temporary injunction should not issue against defendants enjoining them from manufacturing Multiflex and Nu-Coil (R. 223-224).

Scofield affidavit attached (R. 224-232).

- 9-18-52 Denial of Show Cause order (R. 232-233).

The bringing of these legal actions criticized by the Trial Court and the sending of the offer of license set forth in paragraphs A-1 to A-5 and B, *supra*, were not unlawful and were a self-protective action which in the absence of relief from the Court plaintiff was entitled legitimately to pursue.

D. Plaintiffs-Interveners Are Not Chargeable with the Actions of Plaintiff Hall.

It is to be noted that except for the bringing of the actions referred to in Finding XXI by two of plaintiff-interveners, prior to their intervention herein, there is no evidence that plaintiff-interveners were actors in, approved of, or ratified any of the actions referred to in Findings XVIII, XIX, XXI, XXIV, XXV and XXVa.

In order to charge unfair competition or unclean hands on the part of plaintiff-interveners because of any conduct on the part of plaintiff Hall, it must be shown that Hall had authority from plaintiff-interveners to act as an agent for them in this regard, or at least that Hall undertook to act for plaintiff-interveners with their knowledge and consent. There is no evidence in this record that plaintiff Hall was so authorized or that plaintiff-interveners gave such consent. In *Derman v. Stor-Aid*, 141 F. 2d 580, 584 (C.C.A. 2d), the Court said:

“ * * * The companies were not liable merely because Derman was their president, and in general control of them; the plaintiffs were bound at least to prove that he undertook to act for them.”

See also *Alamo Refining Co. v. Shell Dev. Co.*, 84 F. Supp. 325, at 329; *Alamo Refining Co. v. Shell Dev. Co.*, 99 F. Supp. 790, at 794.

E. Hall Patent Prosecution and How the Patent Was Brought into This Case.

Three years prior to the settlement agreement made between plaintiff Hall and defendant Wright on September 15, 1944, Exhibit 34 referred to hereinbefore, Hall had filed an application for patent identified in the Patent Office by Serial No. 388,891, and here as Exhibit 1, covering his sidewise bristle scratcher exemplified by Physical Exhibit 40. The novel features of the device were the side-wise bristles extending from a collar or support which was rotatably mounted upon the exterior of the casing. Prosecution of this and two continuing applications, Serial No. 627,013, Exhibit K and Serial No. 55,619, Exhibit 69, the latter issued as letters patent No. 2,671,515, Exhibit 285, on March 9, 1954, was conducted by Hall under the settlement contract, Exhibit 34.

The Patent Office prosecution of these cases extended over a period of thirteen years during which they were subjected to the closest scrutiny imaginable by the tribunals of the Patent Office and were involved in almost every known adversary proceeding including protests to the examining personnel with which were supplied prior art references questioning patentability, interferences in which Hall's inventorship was contested, motions to strike charging fraud in the filing and prosecution of the applications and public use proceedings denying Hall's right to patent the invention, discussed hereinbefore (R. 3634-3638).

The decision of the Board of Appeals in the Patent Office, dated January 30, 1950, forming a part of Exhibit 69, allowing claims to Hall covering his sidewise bristle scratcher put an end to the protests and objections as to patentability of the invention over the prior art.

The decision of the Commissioner of Patents dated December 12th, Exhibit 71D, terminated the interference proceedings and ended any and all claims which defendant Wright contended he had in the Hall invention.

Decisions of the Commissioner of Patents and the Primary Examiner, dated December 2, 1953, Exhibit 216 (R. 3544-3581) and the decisions denying reconsideration dated December 21, 1953, and January 13, 1954, Exhibit 216A (R. 3582-3585), effectively disposed of the fraud charges and Public Use Proceedings brought against the Hall applications.

The manner in which the Hall patent was brought into this case has been mentioned. After trial and during the argument, defendants' counsel made a motion orally in open court under rules 13(c) and 13(d) of the F.R.C.P. to file a Supplemental Counterclaim for Declaratory Judgment requesting adjudication of the validity of the Hall Patent No. 2,671,515. The motion was granted and a Supplemental Answer and Counterclaim (R. 326-330) was filed at 2 P. M. of the same day. By stipulation of the parties plaintiff and plaintiff-intervenors were permitted to file a Supplemental Complaint (R. 324-326) in lieu of a Reply to the Counterclaim and it was agreed that the Supplemental Answer and Counterclaim would be deemed to be an Answer to the Supplemental Complaint (R. 3283-3293).

Defendants' counsel then orally requested that the Trial Court enjoin the prosecution of the Kansas action pending the outcome of this case before the lower court, but plaintiffs' counsel offered to suspend proceedings in Kansas until the Trial Court's decision on the question of validity of the Hall patent provided there was prompt consideration of that issue (R. 3294-3298).

The Hall patent, therefore, comes before this tribunal with statutory presumption of validity unimpaired. There

is a strong presumption of the presence of invention over the prior art which is reinforced by the fact that the administrative tribunals of the patent office considered the same prior art now before this Court over a prolonged period of prosecution and during extended proceedings. Without explanation or ado the Trial Court evidently basing its findings upon the same art, struck down the Hall patent with the simple comment that it "is invalid over the state of the prior art." (Finding XXXII).

F. The Invention of the Hall Patent.

In the field of oil well cementing Hall has been an innovator. As early as 1935 he originated the idea of cleaning the well bore in order to obtain a better bond between the well wall and the cement column (R. 807, 3122-3128, 3253-3265, 3210-3223 and Exh. 272A). The first tool he devised to accomplish this purpose was the spiral centralizer which he mounted upon the casing in the region to be cemented and it cleaned the well bore upon reciprocation of the casing (R. 813). The device was patented as No. 2,220,237, Exhibit 151 in evidence, and its disclosure describes the technique which later was adopted as standard practice by oil producers using abrading devices of any type (R. 808).

"The rotary mud collects on the wall of the well bore and during the drilling operation may assist in preventing caving of the well bore and the entrance of unwanted fluid to the well. However, when a casing is to be cemented in the well, the coating of slime or mud on the well wall prevents the cement from directly engaging and bonding with the earth formation and is often the cause of faulty and unsuccessful cementing operations" (Exhibit 151, page 1, col. 1, ll. 15-24).

The patent also specified that the cleaning of the well bore be done where the cement was to be placed.

“Another object of this invention is to provide a well bore cleaner adapted to be applied to the casing that is to be cemented in a well and that is operable to completely remove the mud from the wall of the well bore at the zone where the casing is to be cemented, whereby the cement may directly engage and unite with the virgin earth formation” (Exhibit 151, page 1, Col. 1, ll. 30-37).

The cleaning operation performed by the early tool was accomplished by flexible blades or scrapers instead of the flexible wires of the scratcher which was developed later (R. 809).

“When the cleaners reach the portion of the well that is to receive the cement, the casing C may be manipulated to cause the flexible members 11 to scrape the mud away from the wall of the bore. In practice the casing C may be reciprocated or may be reciprocated and rotated so the leading edges 20 of the members 11 effectively scrape away the layer of mud on the wall of the bore. During the upward movement of the casing C and during turning movement of the casing C in the proper direction the leading edges 20 of the members 11 are particularly effective in scraping away the mud from the wall of the bore. The back twist of the members 11 is such that material thus scraped from the wall of the bore is directed inwardly on the broad surfaces of the members to be carried away by the water or circulating fluid” (Exhibit 151, page 3, Col. 1, l. 67 to Col. 2, l. 9).

Finding that the spiral centralizer worked satisfactorily except where indentations or key seats occurred in the well wall, he proceeded to experiment with wire abrading tools which would reach in and remove mud accumulations from such pockets or cavities (R. 817).

The problem was not the designing of a tool which would abrade or brush the mud from the well wall because pipe cleaners of various types were well known; but to devise a tool which would perform this cleaning operation and reverse within the narrow annulus in which it was obliged to work without destruction of the abrading wires was a very different matter. The sidewise bristles all angularly disposed in one direction and the rotatably mounted support or collar was the solution to the problem (R. 464, 476-477). This design relieved the bending stress upon the wires at the top and bottom of the stroke during reciprocation of the casing (R. 1215, 1338). The intermittent partial rotation of the collar at the extremities of the stroke not only facilitated reversal of the wires within the annulus, but moved the wire ends circumferentially upon the well wall surface, assuring better coverage and distribution of the abraded area (R. 1216, 3138-3140, 3142-3145). Obviously, too, the scratcher life was prolonged and a more efficient well cleaning job resulted (R. 1215-1217). In fact, radial bristle scratchers were relatively inoperable in a tight hole since they become ineffective by rolling up or bending off and on occasions causing complete failures by sticking the pipe or casing in the well bore.

This Court gave the following test of invention in *Pointer v. Six Wheel Corp.*, 177 F. 2d 153 (C. C. A. 9th), cert. den.

“Test of invention which has been found very useful and generally followed is that adverted to by Mr. Chief Justice Taft in the case just referred to—namely, the discovery of the source of the difficulty and the application of a remedy not thought of before” (citing cases).

The degree of angular disposition of the abrading wires of the Hall Scratcher is not as important as the fact

that they are inclined, since on entering the well they are bent in the direction of their original inclination. The invention is not the mere angular disposition of the bristles extending from a rotatable support or collar but the discovery that such device solved a serious problem in oil well cementing and supplied an important aid to cementing operations.

Eible Process Co. v. Minnesota & Ontario Paper Co., 261 U.S. 45, 46, 67 L. Ed. 523.

McKee et al. v. Graton, 87 F. 2d 262.

Dewey & Almy Chemical Co. v. Mimex Co., 124 F. 2d 986, at 989.

The question asked by this Court in *Pointer v. Six Wheel Corp.*, *supra*, which established invention must likewise here be answered in the affirmative. There the court said: "The question is: Did anyone before think of making them in this manner in order to achieve the particular result—a new function? *If not, there is invention*" (emphasis by the court).

The commercial history of the Hall device vis-a-vis the prior art also meets the test of invention applied by this court in *Leishman v. General Motors Corp.*, 191 F. 2d 522, at 531 (C.C.A. 9):

"Appellant presses upon us the applicability of the test of invention applied by this court in *Pointer v. Six Wheel Corp.*, 9 Cir., 177 F. 2d 153. The four elements there enumerated for special consideration were: 1. The length of time the art, though needing the invention, went without it; 2. The number of those who sought to meet the need; and the period over which their efforts were spread; 3. How many, if any, come upon it at about the same time, whether before or after; and 4. Perhaps most important of all, the extent to which it superseded what had gone before."

The evidence establishes that the Hall scratcher invention satisfied each of these four requirements, particularly the last since his design and structure has been adopted by his competitors and has superceded all prior devices (Exhibit 280A, R. 3611).

G. Defendants Asserted the Hall Invention Patentable Not Anticipated by the Prior Art and Entitled to Generic Claims (Exhibit 119).

The prior art relied upon by defendants has all been considered by the Patent Office as is shown on the back page of the Patent Exhibit 286, where there is listed under the heading "References cited in the file of this patent" what had been used against the invention during its protracted prosecution.

The growth and magnitude of the sales of both the Hall type scratcher and the simulated Hall type exemplified by defendants' Multiflex and Nucoil are confirming criteria of the presence of invention in the Hall device (Finding XXVII, Exhibits 280A and 280B).

The defendants recognized the invention was Hall's property, a fact conclusively established by the letter written by defendants' counsel Lyon & Lyon to plaintiffs' counsel on January 27, 1950, quoted from hereinbefore. By that letter Hall was not only credited with the invention, but was admonished to obtain the broadest possible protection by diligent prosecution of his patent application covering this improvement (Exhibit 119, R. 3523-3525).

The most assuring recommendation that the inventor Hall could possibly receive that his device satisfactorily met the demands for which it was intended would be the adoption of his construction by his only competitor the defendant B & W, Inc. This strangely enough is what occurred for by the fall of 1947, B & W were manufactur-

ing and selling the Multiflex Scratcher and by the spring of 1950 had copied Hall's device outright in the form of its Nucoil scratcher (R. 828, 856 and 1211).

H. Defendants' Multiflex and Nucoil Scratchers Infringe the Hall Patent.

In lieu of proofs that Multiflex and Nucoil infringed the Hall patent claims and since the trial had been completed when the patent was drawn into the case, the lower Court permitted plaintiffs' counsel during his argument to apply the claims of the patent to the infringing structures, Exhibit 57, Multiflex and Exhibit 72 Nucoil (R. 3299-3300). It was pointed out during the argument that in the case of both Multiflex and Nucoil, the structure of each device read directly upon the combination of elements of the three claims of the patent. Both scratchers have a support which is rotatably mounted on the casing, stiff wire whiskers each flexibly attached at one end to the support or collar and projecting from a point on the periphery of the support at an angular inclination having sidewise direction with respect to the radius of the support and all in the same angular relation with the support. Also the free ends were of a length to frictionally contact the well wall and abrade its surface. All of these requirements were completely satisfied by the structural features of the two defendants' scratchers, Exhibits 57 Multiflex and Exhibit 72 Nucoil. Finally it was stipulated (R. 3300) that these two devices were being manufactured and sold by defendants; that the Multiflex was offered to the trade in the fall of 1947 and continuously since that time (R. 1211) and that the Nucoil scratcher was offered in the fall of 1949 and continuously since (R. 828, 856), so the charge of infringement would appear to have been adequately proved. These stipulations together with the stipulation (R. 3145) that the Nucoil operated the same in the demon-

stration device appear to confirm that operatively the devices give the same results.

I. The Trial Court's Finding That the Hall Patent Lacked Invention Is Not Supported by the Evidence and This Court Is Not Bound by Such Finding.

Finding XXXII of lack of invention in the Hall patent is insufficient to support a conclusion that the Hall patent is invalid. The Supreme Court has stated the criteria for the sufficiency of a finding of fact:

"The pertinent findings of fact are but the most general conclusions of ultimate fact. It is impossible to tell from them upon what underlying facts the court relied and whether the proper statutory standards were observed. If it were not rendered unnecessary by the broad view we take of this case, we would be inclined to reverse and remand to the District Court for the purpose of making adequate findings."

Schneiderman v. U. S., 320 U.S. 118, rehearing denied 320 U.S. 807.

The practice in this circuit is stated by Judge Yankwich in *Brooks Bros. v. Brooks Clothing of California*, 5 F.R.D. 14, at 16. See also *Hycon Mfg. Co. v. H. Koch & Sons*, 219 F. 2d 353, at 356 (C.C.A. 9th); *Waiialua Agr. Co., Ltd., v. Moneja et al.*, 178 F. 2d 603, at 608 (quotations in Appendix).

We recognize the rule followed by this court that a finding on the question of invention is a finding of fact and in the ordinary case is not disturbed if supported by substantial evidence and not clearly erroneous.

See *Lane-Wells Co. v. M. O. Johnston Oil Fields Serv. Corp.*, 181 F. 2d 707, 710 and cases there cited.

The rule as stated by the Honorable Court is not determinative in the present case for the same reason that it

was not determinative in the Lane-Wells case since when there are no subsidiary findings to support the ultimate findings on the question of invention, this court may review the evidence to determine whether the patented device involves invention over the prior art. In the *Lane-Wells* case the subsidiary findings raised a doubt that the device involved invention and it appeared that the trial court resolved the doubt in favor of the patent by applying the presumption of law as to validity. The appellate court reviewed the record and the findings and came to conclusion that the ultimate finding of the presence of invention was erroneous. In the instant case the total absence of subsidiary findings leaves the ultimate finding of fact in this case no more solidly supported than in the Lane-Wells case.

J. This Court May Decide the Issue of Validity Without Remanding.

We are not suggesting that this court consider this case *de novo* and make new findings of fact but only that it consider the evidence to determine whether the findings of fact of lack of invention are "clearly erroneous." *Hycon Mfg. Co. v. H. Koch & Sons, supra*.

An appellate court may disregard the lack of specific findings if the record is so clear that it does not need their aid. In *Hurwitz v. Hurwitz*, 136 F. 2d 796, 78 U.S. App. D.C. 766, it was said at 799:

"The duty of the trial court to make findings of fact should be strictly followed, but such findings are not a jurisdictional requirement of appeal which this court may not waive. Our purpose is to aid the appellate courts in reviewing the decision below. In cases where the record is so clear that the court does not need the aid of findings, it may waive such a defect on the ground that the error is not substantial in the particular case. That is the situation here."

See also *Urbain & Loxit v. Knapp Bros.*, 217 F. 2d 810 (C.C.A. 6, 1954) and cases cited.

In the instant case this Court may pass on the facts as to the presence of invention as well as the Trial Court since the prior art is documentary. See *Equitable Life Assurance Society of the United States v. Irelan*, 123 F. 2d 462, at 464 (C.C.A. 9, 1941) (quotation in Appendix). *McComb v. Utica Knitting Co.*, 164 F. 2d 670, at 674 (C.C.A. 2); *J. S. Tyne Chemist, Inc., v. Thyme Borine Laboratory*, 151 F. 2d 621, at 624.

CONCLUSION.

Wherefore, plaintiff and plaintiff-interveners submit that the court below erred:

1) In finding the Hall patent 2,671,515 invalid for want of invention;

2) In not giving plaintiff and plaintiff-interveners the relief prayed for in their interlocutory proceedings during the pendency of this action;

3) In finding that the filing and prosecution of legal actions in the United States and foreign countries constituted such self help as amounted to unclean hands;

4) In adjudging that the \$2.50 royalty letter sent by plaintiff Hall constituted such inequitable conduct as to justify the denial by the court of relief from defendants' unfair tactics;

5) In ordering the injunctions contained in paragraphs 15 and 16 of the judgment.

Respectfully submitted,

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